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APRIL 28, 1934

Higher Market Ahead?

By A. T. MILLER

Boomerang of Rapidly Rising Prices for Goods

By JOHN D. C. WELDON

Stocks in Favored Position

By The Magazine of Wall Street Staff

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WITH THE EDITORS

Flash in the Pan

ABOUT a decade ago, a newly-inaugurated automobile company brought out a car of startling design—a car that instantly took the fancy of the automobile world. This new car was a thing of beauty, constructed of the finest materials and built to last several years with only ordinary care. Nothing but praise for the performance of the new car was heard as a few units made their appearance on the roads and in show-rooms in the larger cities. However, the car cost so much to build that it was completely out of reach of all but a small minority of the buying public, and a certain Henry Ford was manufacturing and selling in ever-increasing volume, a low-priced car of plain design, but a servicable and pocketbook-fitting unit.

A relatively fair earnings report was issued by the new automobile company for the first year, but unfortunately that first year was the peak. The car still retained its popularity in the second year, but as the majority of those who were financially able to buy the car made their purchases in the first few months after its introduction, the saturation point for this type of car in its price class was quickly reached.

It has been said, however, that the number of individual stockholders on the books of the company at the close of the first year was more than twice the number of cars sold that year, and that few of the stockholders could afford a car in this field. The company lasted about four years, and after its affairs finally were wound up, bondholders received about ten cents on the dollar and the common stockholders were completely wiped out.

It should have been apparent to investors that the possibilities of growth of the company were distinctly limited and that one good year was no evidence that ensuing years would be profitable.

While this above example is an extreme case of the "one-year company" that fails to hold to the pace, there are innumerable examples of the "prince and pauper" type of corporation, where one or two highly profitable years are followed by long lean periods. Corporations in this classification operate chiefly in the durable goods field and manufacture special types of equipment which will last for many years with ordinary care. It is obvious that the saturation point in these cases can be quickly reached although potential markets for many durable products are greater at this time than in previous cycles because of the length of the depression.

Before investing in a security representing a company that might fall in such a classification, investigate the potentialities of the market for its products. Given favorable conditions how many units of its manufacture can be sold before all possible users are supplied? Unless the company is an unseasoned newcomer investors will do well to appraise the actual worth of the stock by taking the average earning power of the corporation over a span of years which include the worst as well as the best years.

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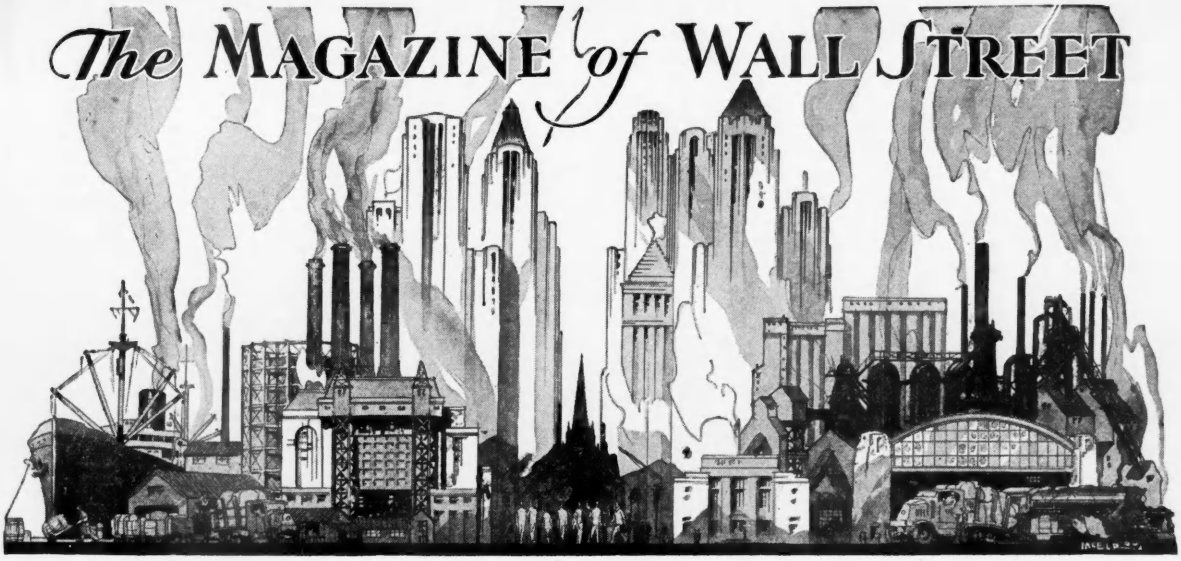

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Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Laurence Stern
Associate Editors

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THE SILVER ISSUE

SILVER is today a major political issue, attracting a national interest out of all proportion to the metal's importance as a commodity. In the boom year 1929 this country produced silver to the value of approximately $32,000,000. In the same year we produced $48,000,000 worth of peanuts, $60,000,000 worth of sweet potatoes and $152,000,000 worth of barley, to mention only a few products not commonly thought of as being vital to the national economy. As a commodity, silver has fared better than any other. It is quoted today around 45 cents, as compared with the highest 1929 price of 57 cents. Moreover, the Government, under the international silver agreement, has agreed to purchase the entire output of American silver mines over the next four years at a price of 64½ cents. Silver in 1926 averaged around 60 cents. Thus, it is the only commodity for which current production commands more than the boom-time price. Seven Rocky Mountain states produce 95 per cent of our silver. They have 3 per cent of the country's population, but fourteen Senators and, accordingly, 15 per cent of the Senate voting strength. These gentlemen have done well by the home folks and appear determined to do still better. Yet silver commands far more than a 15 per cent following in Congress. Agitation in its behalf, therefore, can be ascribed only in part to selfish motives.

The significant fact is that the average Congressman apparently regards such inflation as Mr. Roosevelt has thus far given the country as the one certain stimulant of recovery. About various other New Deal policies he has his doubts. Moderate and controlled inflation has tasted good, but normal recovery remains to be accomplished. Therefore, if a little inflation is good, why not more of it? The majority sentiment for silver is inflationist sentiment. It is to be hoped that President Roosevelt can curb it. We need no larger stock of money than is available today under the President's monetary measures. Those measures are working successfully, but progress is retarded by a variety of enterprise-killing reform and restrictive policies. The unintelligent way of the silver inflationists is to supply such a dose of inflation as will override the existing obstacles. The better way of common sense would be to remove or smooth down the obstacles and give the President's present inflationary policy a clear road and a fair trial.

TREASURY TAPPING

THE President is again confronted with one of those sinister measures which at once promise to make votes for candidates for re-election to Congress and to wreck public finance. The kind of measure which appeals to public sympathy and to the substantial interest of millions is the best vote-getter. The McLeod bill for the payment in full by the Federal Government of all deposits in closed national banks is such a one. Everybody is sorry for the depositor who was caught in a suspended bank, for he is the perfect type of the injured bystander among the casualties of the banking crash. Every one of the five thousand communities in the country scarred by lost deposits is eager to see the impounded and vanished moneys recovered. Actually, discussing only general principles, it is difficult to draw a line between rescuing depositors and rescuing mortgagees, between buying dubious bank books and unsalable corn. And if we are to throw a line to mortgage and corn investors, why not to the good men and women whose stocks and bonds went irretrievably sour? And if to them, why not give a job to everybody who lost one—a perpetual job? And, by the way, we are not far from that. Again, if the bank losers of 1933 are entitled to relief why not those of 1932, 1931, 1930—and of the host of banks that failed in the ten years preceding? Reason or no reason, the Government must sternly stop at some point being the underwriter of all losses. And the quicker the line is drawn the less likelihood that it will have to be drawn and redrawn from Congress to Congress to the end of time or the ultimate bottom of the public purse.

OPEN THE SLUICE-GATES

FOR more than eight months now, industry's life-giving capital has been dammed up behind the formidable personal penalties imposed by the Securities Act on those who make honest and unimportant errors. True, a little seepage has managed to get past the barrier—a few beer stocks and a gold-mining issue or two. But this is a very different thing from that which irrigated industry's broad, level pastures in the recent past. Examine the record. In the first seven months of 1933—a period in which there was not this Securities Act with which to contend, corporate financing, both stocks and bonds, amounted to $314,998,000. In the next eight months, and regardless of the business improvement that was registered and that, towards the end of the period, there was a bond market as is seen only two or three times in a lifetime, the total was a mere $115,774,000. We are not, of course, advocating any plan to dynamite the Securities Act dam. The law contains much that is highly constructive. It does seem, however, that the harsher provisions might well be modified enough to enable the sluices to be cracked to let a reasonable amount of new capital flow into industry. Nor need anyone lose face by such action. The legislation admittedly was hurried and the temper of the times verged on the hysterical. A law passed under such conditions now is found to contain grave faults and go further than the country really wished. This being the case, what more reasonable action than that the facts be acknowledged and the faults corrected?

ROCKY ROAD TO TARIFF TRADES

THE inveterate tendency of tariff legislation to run onto the shoals of local and group selfish interest has brought an anti-climax to the general acclaim which greeted President Roosevelt's plan for revision by reciprocal agreements. It would not be surprising if a measure initially marked for quick action might bring a deadlock between President and Congress. The President's course is that of statesmanship, but the same blindness to the general good which is driving all nations into trade destruction, operates internally to block reform.

The idea prevails that the home market is something that can be preserved only by restricting foreign trade. Few can see far enough ahead to understand that the home market may be actually dependent upon foreign trade. The disposition is to look upon desirable trade as one in which the home community sells for cash and buys nothing.

In the long run commerce everywhere is exchange of goods; money is only the means thereof. Buying is only the other side of selling. But a nation must be wise in its trading, just as an individual should be. That is what reciprocal tariff bargaining means; it means that our foreign commerce shall be collectively shaped to beneficent ends. It means that we shall buy what we ought to buy and sell what we ought to sell. It avoids on the one hand the sacrifice of desirable home industries to the indiscriminate greed of unrestricted individual trading; and on the other hand it means that the general commercial interest shall not be sacrificed to protected individual interest which is opposed to the general interest. The need of foreign markets for wheat and cotton, for example, is certainly greater than the benefits derived from giving certain industries the monopoly of the home market.

Progress toward international trade relations which would benefit all nations is being blocked by another sort of provincialism. It is now proposed to forbid the President to make deals with nations which have defaulted on their political debts to this country. That rule would eliminate Britain, France, Germany, Italy, Greece, Belgium, Russia, etc., from the trading area. Those countries take nearly half of our exports, so the rule would prohibit friendly bargaining with good customers. Word comes from London that the British government thinks this is no time to dicker—with us. And it might have added that there may be no chance.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 8. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, April 23, 1934.

As I See It ~ By Charles Benedict

Forty Per Cent of Income to Government in 1934

WHEN it is realized that nearly 33 per cent of our national income last year was absorbed by government, we get some conception of what recovery by way of the New Deal is costing us and will continue to cost us if the current rate of disbursement is not checked by popular demand. For even this huge proportion does not appear to be the limit of government requirements. In 1934, it is estimated that government through taxation and borrowing will commandeer about 40 per cent of all national income produced.

Taxation is increasing on every hand. Municipalities, counties and states, despite numerous gestures of economy, are steadily developing new means by which to reach the pocketbooks of their residents. Impelled in large degree by political considerations, Congress continues its policy of open-handed distribution of other peoples' money even to the extent of unbalancing the highest budget in history, at the same time that it wrestles with the problem of extracting more and more from struggling industry and from the overburdened individual taxpayer. It is a curious commentary on our times that the United States Senate, in the name of recovery, recently voted additional taxes in the huge sum of 480 million dollars and increased the levy on incomes by an additional 10 per cent in the same week that the British Chancellor of the Exchequer proposed to lower income taxes in Great Britain "believing that this relief will itself hasten the process of recovery."

It would appear that once having been led into the idea of spending and borrowing our way to recovery as an emergency program, we are in danger of encouraging this policy until overtaken by the disaster of uncontrollable inflation. History proves there is no such thing as controlled inflation. As an outgrowth of the measures necessary to relieve suffering and stimulate business to an initial start, there is danger today of developing a nation-wide reliance on government for all varieties of relief—of thinking of government resources as an inexhaustible reservoir to be tapped at no cost — or at least a cost only to "the other fellow." There are indications of this attitude in the recent passage over Presidential veto of the Independent Offices Bill—restoring governmental salaries, Congressmen's among them, and destroying the economies previously effected in payments to veterans.

The same psychology of drawing on the public till is again exhibited in the proposal to pay off the depositors in closed banks. In effect Congress is saying to those citizens of the country who by the greatest effort during the difficult times of the last few years have made a measure of progress, "We're going to make you carry the burden because you are able to take it." In other words, they are weakening the backbone of initiative and energy in this country by pursuing policies that must force increasingly burdensome taxation on the few—in many cases for the doubtful advantage of spreading a few dollars per individual among the many clamoring for government aid. The measure of importance of those who are carrying the load today is best exemplified by the progress made in those industries which have neither borrowed from the Government nor received its subsidies. They have assisted the whole country in the establishment of a base from which recovery has begun. These people must be encouraged rather than discouraged.

It is high time that special appropriations were stopped. For so long as we permit the Government to be looked upon as the universal rescue agent just so long will we roll up staggering bills whose payments must come from the pockets not only of the wealthy but of each one of us—taking an increasing part of our incomes, bringing discouragement, dulling initiative, shrinking our savings and depriving business of the capital that is so vital to its progress if not to its very existence.

Even the Durable Goods Committee of the N R A itself points out that increase in the public debt during the past four years "has absorbed about twice as much of the new private savings and bank credit of the nation available for investment as have been absorbed by all private industry and business."

It is thus quite evident that the continuance of anything like the present scale of national expenditures, Federal lending and consequent heavy borrowing, will result not only in a steadily-increasing tax burden, but in an eventual nationalization of wealth, with an attendant deterioration of our cherished ideals and institutions.

This thought is naturally intolerable to an independent and invididualistic people. However, it may perhaps rouse us to the danger in time

(Please turn to page 56)

¶ *Market Demonstrates Strong Resistance*

¶ *Indications of More Favorable Washington Developments*

Higher Prices Ahead?

By A. T. Miller

IN the face of a sensational crack in wheat prices, the stock market in recent trading has displayed quite remarkable fortitude. This is in sharp contrast with the performance of last October, when wheat had one of its periodic falls from its artificial and politically-erected price shelf, and the stock market, watching that spill, had the jitters.

Business activity was declining last October, however, while now it is expanding. Moreover, traders in stocks apparently remember that last autumn's shivering spell in farm commodities was promptly followed by inflationary measures on the part of the Administration. In any event, without further puzzling over the current phenomenon of the share market's utter lack of sympathy for its speculative cousin out in Chicago, what stands proven by test is that the market's position, fundamentally and technically, is strong. There were previous tests in late February and March in the manner in which stock prices withstood the threat of drastic Federal control legislation and the equally frightening threat of a devastating strike in the automobile industry.

Strong Internal Position

It would seem that no further proof of the market's stubborn reluctance to decline is needed. Reactions of the past fortnight have been of minor technical proportions and have been followed by rallies which quickly and easily recovered all lost ground. Over a period in which wheat has declined more than 15 per cent, more than a hundred stocks have reached new highs for the year, the bond market and many preferred stocks have reached new highs of recovery, and the stock market, on the average, has held approximately the best levels of the rally which began in the last week of March. The current level is the highest since late February.

There has been nothing of speculative enthusiasm or excess. Unlike previous intermediate moves, no bell was rung at Washington to signal that advance had begun. The market has simply forged ahead slowly on moderate volume. Such activity as has existed has been largest on days of advance and has tended to shrink substantially on days of technical reaction. In the normal markets of the Old Deal, the majority of intermediate advances started in this quiet, creeping fashion and gradually worked up their own enthusiasm. We are inclined to regard so old-fashioned and orthodox a performance as a good omen at this time.

Accordingly, we herewith reiterate our previous advices that we regard generally higher stock prices in the next few months as probable, that existing commitments be retained and that selective accumulation of equities which we have recommended and analyzed in recent issues be undertaken in periods of moderate technical correction. It appears highly unlikely that nearby reaction in the average stock will run to as much as 5 per cent.

In the immediate future, it must be conceded that the market will be doing very well to hold its ground while several of the current uncertainties are clarified. There is continuing uncertainty as to the final form that Federal regulation of the security exchanges will take and as to the outcome of pending official proposals to modify the rigid Securities Act of 1933. There is uncertainty regarding possible silver legislation and as to the fate of several legislative measures—notably the Wagner labor bill and the Connery 30-hour week bill—which are highly distasteful to business and to the market.

Over all there is the usual uncertainty, always a sobering speculative influence, as to what Congress may or may not do in the final weeks of a session preceding a coming election. Business and the markets will breathe a bit easier when the final results of the present session can be tabulated and when Congress has gone home. It is hoped that will be some time in May. A Congressional vacation until next January will be enjoyed by all—including the Administration.

In relation to the President's effort to control Congress, the decline in grain prices at this time can only be regarded as unfortunate. Already it has been seized upon by Congressional advocates of silver as proof that more inflation is what the country needs and that the form this inflation should take is that of remonetizing silver. The controlled monetary inflation already brought about having failed to maintain wheat at an artificial level far above world prices, the thing to do is to have a try at more inflation. The one thing the argument lacks is intelligence and logic. Fortunately, current indications are that any silver legislation is likely to be permissive, rather than mandatory.

Swinging to the Right

While one can never be certain of Mr. Roosevelt's intentions, and while there is insufficient evidence to prove that he is on the point of moving from the Left to the Right, the tentative indications are that his immediate policies are at least veering toward the Center. This, from the point of view of business and industry, is favorable. The President, supported by the Treasury and the Federal Reserve Board, appears obviously reluctant to undertake additional monetary experiments at this time.

One can even hope with apparent justification that the New Deal is entering a new phase—a phase of greater conservatism and of more orthodox industrial and financial relationships. The Administration a year ago did much in desperation, but the public mood is no longer one of desperation or despair. There is a growing public dislike of certain policies and measures, especially as to over-zealous

reforms which stifle business initiative and confidence, and as to the workings of N R A and A A A. In intelligence and in political acumen, Mr. Roosevelt can show Congress a great deal. He appears to be well ahead of Congress in recognizing the gradual drift of public sentiment at least toward the political Center, if not to the Right.

We have had a year of political and economic experimentation and experience is a great teacher. It has been demonstrated beyond reasonable doubt that the mere lifting of the general commodity price level has not, and can not, solve the problem of restoring normal business activity and employment. It has been demonstrated that excessive price advances in finished goods, fathered by N R A codes, reduce, rather than increase, the national purchasing power and at the same time widen the price disparity between farm and manufactured products.

Soft Pedaling N R A

Thus, as criticism mounts, we find N R A today being consolidated, modified and "rationalized." We find the Administration belatedly recognizing the primary fact that prosperity in this country has always depended chiefly upon—and now depends chiefly upon—a fairly steady expansion of the durable goods industries.

There are several ways in which this problem can be attacked. What is needed is a much increased flow of capital into long-term investment. This will either have to be brought about on private capitalistic initiative or the Government will have to provide much larger sums of capital than is now contemplated in the emergency budget. The chances are that a compromise will result. As detailed in a special article on following pages, the Administration will soon launch a campaign designed to stimulate housing construction, renovation and modernization by undertaking to "insure" private credit advanced on such projects. As last summer focused the eyes of the country on the original N R A campaign, the coming summer very likely will see an intensive drive along this new and much sounder front.

The results, whether matching Administration expectations or not, can only be on the favorable side. Anticipation of this program logically should offer increasing speculative support to stocks of companies closely identified with the heavy industries.

Yet it is the President's view, as stated in explaining his 10 billion-dollar recovery program, that by the middle of 1935 private initiative must take over the wheel and let the Government retire to the backseat, even though it will probably retain the usual prerogatives of a backseat driver The coming housing program alone will not bring about this happy consummation. What is equally needed is modification of the Securities Act of 1933, modification of the Fletcher-Rayburn bill for regulation of security exchanges and convincing proof over a period of months that radical political experimentation and improvisation are ended for good.

Landmarks of Wall Street, Old and New

No. 18

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Higher Levels Ahead

Our present guess, admittedly conjectural, is that from here on the Administration gradually will lean toward permitting a more normal functioning of the American capitalistic system along time-tried lines. If it does, higher average stock prices should be produced over the next few months. On the other hand, if the pressure for inflation grows and there are further monetary changes or other direct Federal stimulants, the prospect must also necessarily be for a continuing reluctance of investors to liquidate equities for dollars, and for higher average stock prices sooner or later.

The current debacle in the wheat market presents a paradox. It was apparently touched off when the market concluded that the President's attitude would prevent any early additional inflation via the silver route. Yet at the same time the decline itself has greatly increased inflationary agitation. Certainly it will increase the discontent of the politically important agricultural classes, for it comes at a time when the prices of many manufactured goods have spurted to a new high of recovery. In ratio of his own product prices to prices of the goods he must buy, the farmer has lost ground since last July.

The results are an ironic commentary on artificial farm price stimulants and nostrums, whether under Hoover and the Farm Board, or under Roosevelt and the A A A. We have and always have had an exportable surplus of wheat, yet our wheat prices for months have been far above the world price. Even at present sharply reduced prices, our Chicago market, allowing for the cost of ocean freight, is some 22 cents above the Liverpool market.

In this situation the most significant development, closely related to immediate heavy speculative unloading in wheat, is the statement attributed to Secretary of Agriculture Wallace that "a nation on an export basis does not remain indefinitely above the world prices." This is the attitude of a realist, but whether its logic can be grasped by the farmers—as prices of manufactured goods continue to rise—and by Congress, remains to be seen. In the long run, as Mr. Wallace realizes, we can solve the problem only by selling our exportable surplus of wheat in the world market at the world price and (*Please turn to page 56*)

Is Washington Ready to Give Industry a Break?

The Final Great Drive Against the Depression Is About to Begin in Federal Stimulation of the Heavy Industries

By THEODORE M. KNAPPEN

THE Presidential assault on the depression began with monetary manipulation. Then followed the attacking waves of C C C, Public Works, Agricultural Relief in its myriad forms, R F C in innumerable ways, Civil Works Administration emergency measures and their successors, with N R A acting as file closer all along the desperate front. Every assault gained ground, but none of them was able to shake the reinforced concrete defenses of unemployment in the durable goods industries. With the prosperity shock troops all around and all over them, these defenses held out and still hold out of employment about 5,000,000 men—5,000,000 of the 8,500,000 still counted jobless.

To Break the Jam in the Durable Goods Industries

President Roosevelt now considers the final conquest of the depression by—

1. **Modernization of old residences—$1,500,000,000 at once.**

2. **Demolition of 2,500,000 obsolete residences, and their replacement—$12,500,000,000, gradually.**

3. **Wrecking out-of-date industrial structures and erection of new ones in their place. How much?**

Inauguration of greatest building era in the history of the Republic is visioned.

The mechanism—a Government Insurance Corp. is to insure new building and modernization advances, thus melting billions of iced investment money. Mortgages to be amortized in 15 to 20 years —no second mortgages—all lending rackets out of house building finance.

Disappointed, perhaps even dismayed, that the durable industries have not yielded to the rising tides of better business, and fearful that those tides will recede unless jobs be found for the millions of men and billions of dollars in those industries, the President now begins a frontal attack on their redoubts. Perhaps the word frontal is not precise, for it is by no means certain that the Securities Regulation Act is to be sufficiently revised to overcome the timidity of investors, promoters and investment bankers confronted by new capital commitments. It might be more exact to call it a flank attack. It might even be construed as a move toward replacing the financial middleman with Uncle Sam and minimizing the importance of the Securities Act. But more of that a little later.

A month or more ago General Johnson, after the great conference of the Code Industries, set up a committee of those industries to diagnose the maladies of the heavy industries and propose cures. The committee has made progress reports, and the last one names the three requirements for *even partial recovery* as:

1. Restoration of confidence in the Government's policies.

2. The opening up of channels for the free flow of private savings into normal investments.

3. The breaking open of the frozen mortgage situation and the creation of new forms of real estate financing.

Advance deliverances of the Committee have dealt only with No. 2, one of them being an emphatic denunciation of the Stock Exchange Regulation bill in its original form, and the other of the Securities Act. The Committee find that "the great majority of honest American business men and bankers have had imposed upon them such impossible liabilities and penalties, that few prudent men are willing to risk the issuance or sale of securities The result is almost the complete stoppage of the flow of private savings into normal investment channels."

And here is where we come back to the idea advanced above that the Administration is making or is about to make an attack on unemployment in the capital goods industries of such a sort that the necessary financing can be accomplished without extensive resort to great securities flotations in the ordinary ways.

In line with so much other financing since 1929 the new attack on the depression is to be governmental or quasi-governmental—another step toward the nationalization of credit. The Durable Goods Committee remarks that in the past four years the Federal Government has absorbed about twice as much of the new private savings and bank credit of the nation as has been absorbed by all private industry and business. And yet, such is the growth of the habit of leaning on the Government, it would not be surprising if this same Committee, when it states its solution of its third requirement, will be found passing the buck to Uncle Sam. But if it does it will know where it is going, for it says ominously: "We are gradually enforcing the nationalization of productive wealth"; predicts that the Federal Government will soon own a majority of all the mortgages on farms and homes, that the interstate carriers will be controlled and operated by the Government within a few years, that the communications will soon be so controlled, and

notes that already the Government owns over one-fourth of the preferred stock of all banks.

What the Committee has in mind for restoration of investor confidence in public policies has not yet been disclosed, but it is pretty sure to deliver a savage denunciation of silver and greenback inflation, advise a prompt return to the gold standard at a statutory valuation, demand a balanced integrated budget and a cessation of governmental harrying of business.

The Government Rushes In

The committee may speak its mind on Requirement No. 3 before this article is published, but if so it will have to work fast to beat the Government to the announcement of its own solution. And it appears that the Government thinks that if Requirement No. 3 is met the other two will be met by the same token. Revive building, says Washington, and you revive all the capital goods industries—using building in the broad sense.

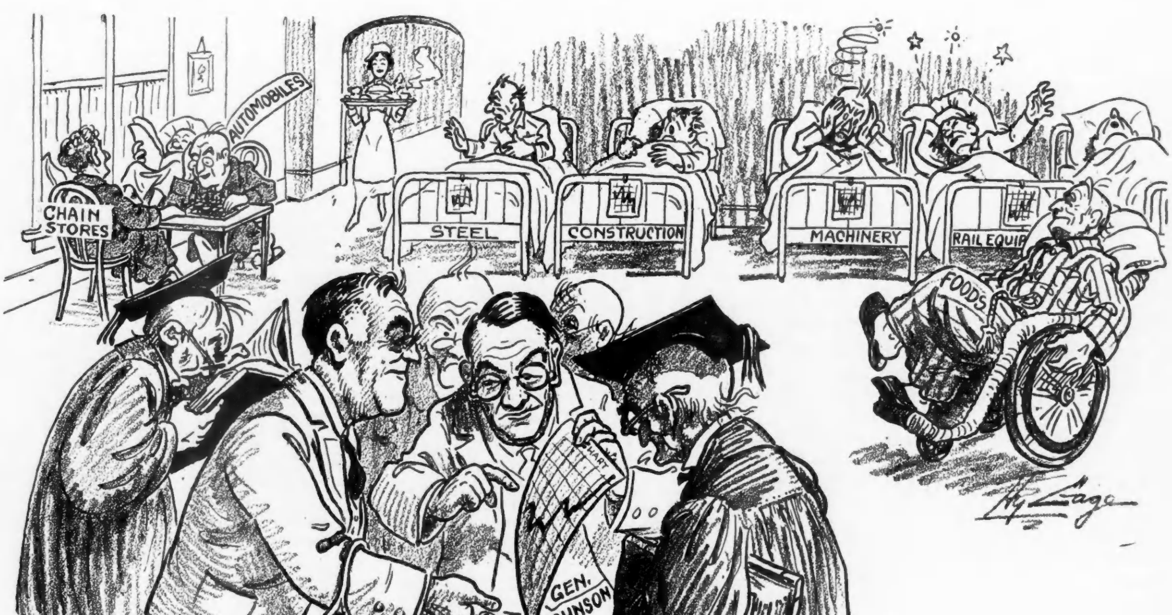
As the President stepped off the Florida train the other day, three members of the new edition of "the brain trust" were feverishly polishing up the great scheme for the vivification of stagnant construction. These high-gear planners, assembled by Frank Walker, executive secretary of the Executive Council, are J. M. Daiger, Baltimore banker, Winfield Rieffler, economist to the President, and Alfred Deane, consumer credit expert of General Motors Corp. The plan hasn't been officially published yet, but so many Administration executives and so many bankers, financiers, industrialists, and mortgage lending groups have been consulted that its outlines are rather widely known. It is a comprehensive scheme—duly engrossed as an intended act of Congress—to enroll all the private credit agencies customarily engaged in financing building, and lending on "consumer credit" in a grand rally to lend to (a) builders of new homes, (b) modernizers of old ones, and (c) to demolishers of obsolete plants and builders of new industrial structures. The rally is to be sounded to the slogan of "Uncle Sam will insure the risk." The risk is not large.

The bank depositor has been insured and now the man who takes his money out of the bank and lends it to his neighbor will still have the money insured. And by "man" and "neighbor" I mean the home building and modernizing public and the colossal life insurance companies, great consumer-credit corporations, savings banks, building and loan associations, etc., as much as I mean John Individual Citizen. It is true that this plan does not directly help the durable goods industries, but it is the Government view that taking into consideration the ample reserves of the great corporations engaged in the production of producers' goods, and certain other facts, the breaking of the jam in building will scour the whole channel of industry financing.

An Avalanche of Business

The three thinkers have found that home modernizing can step up $1,500,000,000 this year and, according to the N R A survey, this nation needs right now new homes for 800,000 families—and that is the minimum. Giving a liberal and modern construction to the word "needs" as applied to homes, at least 2,500,000 residences ought to be torn down and replaced ($12,500,000,000). And the needs of new families and the yearly obsolescence of residences would call in comfortable times for 400,000 new houses every year. Back in 1926 we were spending $5,000,000,000 a year on all-type residences. Here is the key to long-continued prosperity. Once inserted in the lock and turned it might open the door to an era of construction greater than the nation has ever known, greater than when the opening of the West was at its apex, flooding every mill and shop in the land with golden orders. But how?

The answer is not so easy. According to the experts on housing and housing finance who have been advising the President, the "how" presents problems which may persist long after the depression has lifted in the sense of ordinary commercial transactions. The persistent difficulty is that the unprecedented collapse of real estate mortgage credit is



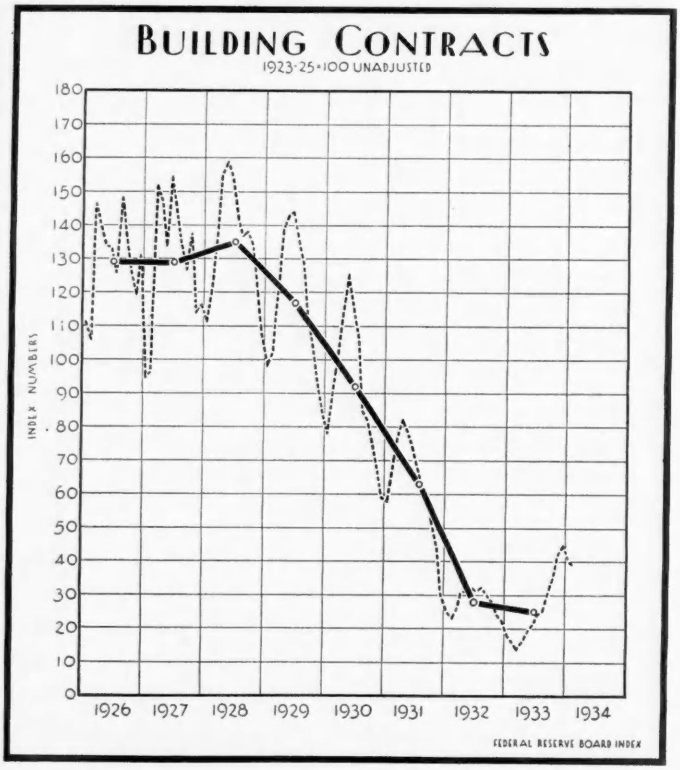
so great that it may be a decade or more before the individuals and institutions which have supplied home-building money will normally be in an active lending condition again. At present their energies are absorbed in the endeavor to salvage their outstanding loans. When they get a dollar they lock it up in government bonds or something equally good. A recent survey of 1700 counties brought the information that there was virtually no residence mortgage money available in any of them. Of 3000 counties in the United States, 1500 have no local home-building financing agencies. The lending agencies and individuals are too busy collecting and liquefying, bemoaning their losses and soothing their nerves, to think of their normal function of lending.

The mention of government bonds points the way the breakers of the jam are working. Make the residence loan as good as a government bond; have the Government insure it. That will loosen up the cash of the old lenders and bring some new ones into the field—so runs the theory.

End of Lending Rackets

But while the Government is on the job of reviving home building it purposes to clean up the "mortgage racket" for good and all. The second-mortgage racket is to go onto the dump heap, the "renewal commission graft" is to be sunk, the danger of premature foreclosure is to be done away with. And this is how: All mortgages for home-building are to be amortization mortgages running for fifteen to twenty years, to be for as much as 80 per cent of the valuation, and at not more than 5 per cent net interest return to the lender. If you as a lender don't like the terms go ahead and lend as you please without Uncle Sam's backing. As for modernization financing, that will rest on the consumer's credit: the individual loans will be small—$2,000 maximum — and experience shows that families will cut every other outlay to the bone before they lapse on their monthly repayments of such loans.

Details of the scheme are not yet revealed, but they are immaterial. The insurance will be looked after by a Federal Mutual Mortgage Insurance Corp., which will be closely identified in personnel with the Home Loan Bank Board. That institution, by the way, although long quiescent is now growing like the proverbial green bay tree. It has more than 2,500 member institutions—including all the big mutual savings banks of the Eastern states, and is expected to be a prime source of discount funds for the mortgages that will be put out under the new plan of stimulating building and lending. Thus a long-felt need will be filled.



As the inspirational leader of the last great assault of all on the depression it will be publicized into glory. Since the depression made liquidity the main objective of commercial bankers they have been as shy of mortgage loans as they are of Bolivian bonds. With insured mortgages—government insured—the real estate mortgage will look good again. Probably the banking laws will be amended so that such banks can lend up to 80 per cent and for a longer period than five years. Finally, the attack on the frozen mortgage field will provide for huge Federally incorporated private mortgage companies—to encourage existing agencies to regain the lending habit, if nothing else.

U. S. Lends Name Only

So far as known there is no intention of putting any government capital into this phase of the new scheme—but from the standpoint of the New Dealers it has the advantage of virtually bringing all residence financing under government tutelage and discipline. The scheme will apply only to detached or, at most, to four-family residences, but there will be some adaptation of it to direct governmental financing of low-cost housing and slum eradication projects. It is expected that new government money, if any more than already contemplated by P W A, will be reserved for such undertakings. Total P W A commitments along this line are only $125,000,000, and it is probable that there will be a big provision for their expansion, as private capital is not enamored of this field of investment. There is some talk that the Government may eventually invest $1,500,000,000 in such social welfare undertakings. Here are worthy crumbs for deserving durable goods industries.

As for the rest of stimulating the durable goods industries, there are the new intermediate credit banks, or the Glass plan equivalent under the Federal Reserve, and/or the R F C plan for five year loans for capital purposes. These will help the little fellow. The big fellows, it is argued, do not need new financing. Some of the Brain Trust Utopians figure it out that it will be just as well if the Securities Act is not amended—and new financing be left arduous if not impossible. Their idea is that as times get better the tendency will be to overemphasize the capital goods industries, thus diverting income from rapid conversion into personal satisfaction, at the expense of the consumer and service industries. In the long run, they think, there is danger of too much rather

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Happening in Washington

By E. K. T.

Congress—the House in the street, the Senate straggling along the sidewalks—marching down Capitol Hill to meet the President with a braying brass band, made the first impression on me that there ought to be a law against parades in mufti. Positively, the most unheroic sight in the world is that of a band of pudgy, middle-aged men clad in wrinkled, baggy, sack suits and squat overcoats trying to progress in martial unison. The next thought was of a boy in the dark whistling to keep up his courage—the band being the whistle. No, that isn't it. It was not to keep up courage; rather it was to camouflage the end of an idyll.

It was a brave effort to pretend that all was still well between White House and Capitol. It was an almost pathetic gesture of farewell to a lost epoch—would have been but for its ludicrousness.

The President knows the lovely days are past, and Congress too; it is with regret not unalloyed with pride, the other with a certain grim pleasure There may be a reconciliation. If so it will arise from the turning of Congress toward the right, and the President's cheerful tagging along. Except in the matters of inflation, pensions and giving everybody a lot of public money, Congress is about as radical at heart as Justice Sutherland. And since the grand veto revolt it has buried its timidity in the presence of the President. Having seen the President box the compass, monetary and economic, Congress thinks there is a 50-50 chance that it may be right as often as Mr. Roosevelt. Congress retains its usefulness.

The next time Wall Street critics are tempted to bring out some of those ancient wheezes about the virtues of Congress when at home they would be but just if they were to pause and recall that but for the stubborness of Congress and its innate dislike of young lawyers and know-it-all professors the narrow canyon that is called Wall Street might soon be a gulf of death. Beyond a doubt the President would have let the stock exchange bill go through with no changes beyond some more serrated teeth and would have left the Securities Act intact in its stupidity.

Durable Goods Industries Committee, intractable child of N R A, the President's rebellious Board of Review of N R A Codes, the outspoken Consumers' Board and other developments are building up a timely foundation for the President to reconcile his stimulative monetary and credit policies with his business constriction policies. The business situation today is comparable to an automobile going ahead with the throttle wide open and the brakes partially applied. The various critical bodies are developing this anomaly at every turn.

It is immaterial that they parade their own inconsistencies, such as putting the sweatshop out of existence and demanding protection for the same little fellow against monopoly, calling for lower consumers' prices and insisting on high cost production. The point is that diverse friends of Roosevelt policies are now pointing to a need of their expedient modification.

Many Members of Code Authorities smile bitterly when they are prodded for alleged persecution of little concerns. In one industry this "persecution" is such that little concerns are springing up all over the country while big plants deliberately declass themselves. It is better to reduce output and thereby become small and enjoy the little producer's price differential than it is to stay big and have to sell high. In this industry, there is now presented the comical spectacle of the big concerns plaintively begging the little ones to give them an even break.

Free Prices and Controlled Production are gaining favor, particularly in those industries where large volume of output does not bring a reduction of unit costs. Contrary to the popular notion, experience with code administration has brought out the fact that the small plant is often the most efficient producer. Give the little fellow an efficient marketing organization and he needs no more protection from the big fellow than a mosquito needs from an elephant.

Bald Heads and gray hair do not necessarily denote conservatism, so I reflected as I sat in the Senate gallery the other day and marveled at hirsute scantiness voting 480 million dollars of new taxes. Most of it of the social justice type—which means for spending rather than for paying. But don't worry. The reformers have had their day before the galleries in the open Senate, but smart Pat Harrison and drawling Rob Doughton will have a nice time "trading" when the conferees meet, with Doughton demanding everything for the House tax bill and Harrison claiming nothing for the Senate's.

A "Tough Guy" (self-described) the President is, a close-up convinced me the other day. If the vacationist, back from the balmy Bahamas comes to grips with Congress over some of its infantile follies like the McLeod bill to turn the treasury over to the unpaid depositors of defunct banks my money is on him—to win the last battle. And that's the one that counts, as Napoleon remarked when he pointed out that his British opponents had a way of losing all the battles except the last.

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"We want vaulting prices when we sell—but not when we buy."

The Boomerang of Rapidly Rising Prices

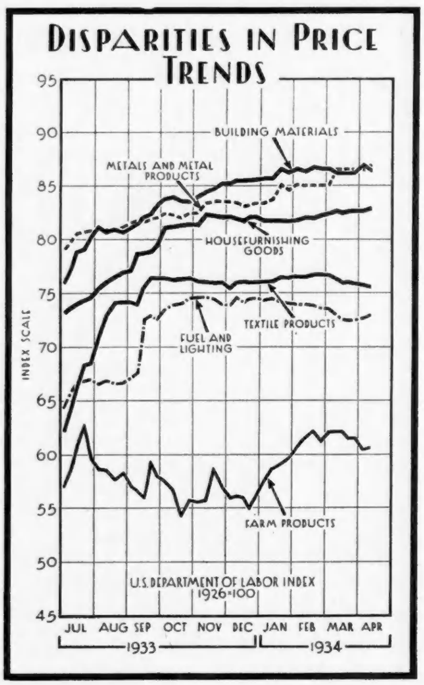
Early Achievement of Much Sought 1926 Level a Matter for Sober Second Thought

By JOHN D. C. WELDON

DOWN through the ages from the earliest origins of trade to the complex economic organization of today history is dotted with the ruins of price-fixing ventures by business and government. With the exception of a very few commodities inherently suited to monopolistic control because of scarce supply, such efforts invariably have broken down under the weight of competitive forces beyond control.

Yet today the United States Government and American business are optimistically engaged in the most gigantic experiment in price and production control that the world has ever seen. The two efforts go together. You can not control price unless you control production. The N R A and the A A A are Federal instruments of price and production control.

Hastily devised in emergency, each remains in formative phase. The problems relentlessly multiply. There is staggering confusion of purpose and administration. Necessarily, effort turns increasingly to enforcement—the rock on which countless control schemes have foundered. In this huge, cumbersome, complex and groping undertaking we have—as one liberal commentator aptly puts it—the Economy of Bedlam.



The Old Illusion

The philosophy behind it is plain. It is the obsession of over-production, common to every major depression—the illusion that we have too much of almost everything. Hence arises the thought that if we would recapture prosperity we must turn to a price economy. We must produce less and charge more for it. This is the antithesis of the philosophy of volume production, at low unit cost, on which this country developed the highest level of real wages in the world.

Taking the longer view, one can rely with assurance upon the probability that economic and political experience will repeat itself. In every recovery the illusion of hopeless over-production wanes and ultimately vanishes—and men turn confidently again to production of the durable national wealth in greater abundance than before. And in the recovery cycle artificial control becomes increasingly distasteful to business and to the public; and official enforcement becomes increasingly difficult. At the present time these modifying forces are beginning to be apparent. There is tacit recognition of them in Washington's present somewhat vaguely announced program of "rationalizing" the N R A. To "rationalize," according to the dictionary, means "to endow with reason."

Meanwhile, however, we are confronted with some immediate results of the "Economy of Bedlam" and with some vital questions as to the reflection of present policies in business and in the national purchasing power over the next six months. It may be, as one chieftain of industry asserts, that the tide of cyclical recovery is strong enough to prevail over governmental influences, but certainly the Government's manifold planning—and particularly its leadership or acquiescence in artificial manipulation of the price mechanism—is capable either of accelerating or retarding enduring recovery.

Opposing Policies

What we all desire is a recovery of the national purchasing power, with which to purchase a normal volume of goods and especially of durable goods. Some policies of the Administration have tended to expand purchasing powers. Other policies have tended to contract it.

On the side of stimulation must be placed the monetary policy, involving departure from the gold standard and revaluation of the dollar. This, plus a revived confidence in the vigor of government, without doubt turned the tide of deflation in this country and reversed the downward spiral of production and of purchasing power. The next most important stimulant is direct emergency spending. With private credit expansion at a standstill for a variety of reasons, the Government has borrowed bank deposits and put the money into circulation. Whatever the longer term implications in relation to the Federal credit or a further drift into a collectivist economy, such spending expands current purchasing power. On the other hand, restrictive reforms applied to the new capital market and the security exchanges are retarding influences beyond doubt.

Recent Price Movement

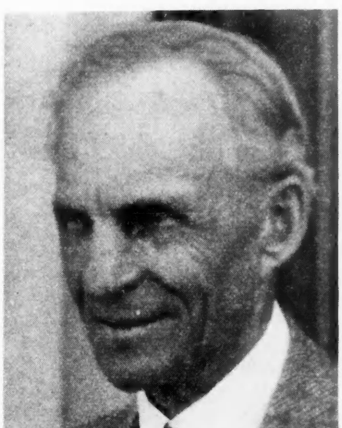
In regard to the price policy and N R A, generalization is less easy, but it is significant that these today are coming in for increasing public discussion, whereas dollar revaluation and the emergency spending program are factors developed and accepted. The first phase of price recovery, with raw materials—including farm products—advancing relatively more than finished goods was accepted as highly desirable, especially since it started from an acutely depressed level.

The price movement of recent months, however, is not without some seriously disquieting aspects. Indeed, since last July finished goods have tended to advance faster than the much more depressed raw materials, including farm products. The chief reason for this advance is N R A.

To the extent that shorter N R A hours and higher wages have increased labor income, there is a gain in purchasing power. But to the extent that the rise in prices outruns this gain, there is a net loss in the aggregate national purchasing power. Part of the resultant price rise can fairly be charged to higher labor costs. Part represents nothing more or less than the human urge of business to take advantage of the machinery provided by the codes for the fixing of profitable prices. The border line between necessary advance and arbitrary mark-up is difficult for anyone, including the Government, to see.

But there can be slight question that, whatever the reasons and whatever their validity, prices of manufactured goods for some months have been tending and are now tending to advance much faster than consumer purchasing power. A recent survey, for example, shows that wholesale prices of department store goods have risen an average of 40 per cent from the depression low. The full effect of this rise will be felt in retail prices this spring and summer, and meanwhile wholesale prices of manufactured goods continue to advance.

Can the consuming public meet this increased bill? If it can not, no amount of Washington planning can make it buy, and if it doesn't buy in normal unit volume business inevitably will recede. Unfortunately, there is no way of calculating the current national purchasing power from month to month. Last year, a year of recovery, the national income produced was 39.8 billion dollars, according to the National Industrial Conference Board, a gain of 3.9 per cent over 1932. But this is not the same thing as current purchasing power. Including Federal disbursement of borrowed capital funds, the 1933 income paid out must have been substantially greater than income produced. Moreover, both income produced and distributed during the initial months of 1934 has been running above the average of 1933.



Henry Ford
"When Prices go up, Business goes down"

Yet it is quite certain that the increase in spendable national income from all sources has not amounted by any means to 40 per cent since March, 1934. It is certain also that it will not have recorded such a gain by summer. How then can a forty per cent rise in prices of finished goods be absorbed? The writer does not profess to know.

As to one important economic class—the farmer—it is quite easy to measure the current trend of purchasing power, for this is merely the ratio of what the farmer gets for his products to what he pays for his purchases. In this country some 30,000,000 individuals live on farms and much more than half of the total population is engaged directly or indirectly in rural pursuits. Their economic influence is considerable; their political influence still more considerable. If N R A were put to a vote today the farm population probably would have plenty to say.

Plight of the Farmer

Why? Well, the farmers may not know just exactly why—but there is one thing they know and that is that their purchasing power has tended to decline since last July. The fact is that it has declined approximately 10 per cent since then. Farm prices are at 76 per cent of the "normal" pre-war level. The price the farmer pays for his goods at the county seat is at approximately 120 per cent of the pre-war level. It has advanced substantially since last July and, in fact, is at a new high of recovery today. Furthermore, it is going still higher, for price advances just announced in a variety of products—including steel, coal and automobiles—have not yet had time to find full reflection in the average price statistics.

As recently advanced on the plea of higher labor costs, the price of finished steel is now only some 5 per cent under the average of 1929. Steel prices were never depressed in proportion to the general price decline. It was volume that was depressed. The way to permanently revived volume can hardly be that of a further widening of price disparity.

In the still more depressed building industry prices are out-running both the average commodity recovery and the national income recovery. Inevitably, this tends and will further tend to retard a normal revival of construction and of repairs and modernizing alterations. And what is to be said for coal, which is so fearful of its economic position—at least in the bituminous industry—as to be clamoring for an "equalizing tax" on natural gas? Fuels are 60 per cent above the 1913 level. It is estimated that recent wage adjustments will increase mining costs in the bituminous fields of Illinois by 12 per cent; in Pennsylvania by 59 per cent; in West Virginia by 88 per cent and so forth. That is temporarily fine for the miners, but what about the consuming public? If it can't pay the

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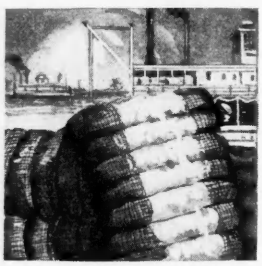
Cotton Comes Under Enforced Control

Restriction of Output by Heavy Taxation at the Gin May Temporarily Raise Price; But It Will Also Raise Foreign Competition for Our Greatest Export Commodity

By C. S. Burton

"WHAT do you say to cotton?" A question familiar to those whose interests lie with the staple, as familiar as a request to pass the bread. "What *do* you say to cotton?" With new, unheard of factors pushing aside the accustomed problems of crop conditions, weevil infestation, and other like old fashioned questions; with the law of supply and demand backed into a neutral corner, groggy and gasping, hoping for the bell, "What *do* you say to cotton?"



If we are to try to have something to say to cotton, we must first get our bearings. We know in a general way that the uses of cotton are almost innumerable; we may not even attempt an enumeration here. It is the sinew of the tire on your car; the shad or the mackerel you had for dinner came to you from salt water by line or net made of cotton; you sit under the shade of a cotton awning; it covers the deck of the steamer on which you cruise; it masquerades as rayon and celanese. In wartime, it is the first necessity of the powder makers. Modern industry could not go on without cotton any more than without lubricants. Year in and year out the world uses about 25,000,000 bales of cotton which run about 487 pounds of lint, net, and it should use two bales for every one it now consumes. The first estimates of the world crop for the 1933-34 season figure production at 25,000,000 bales and the world carryover at 11,597,000 bales.

Potential Demand Huge

"What do you say to cotton?" Its use, apparently so universal, betrays upon a little examination a want, an unfulfilled, ineffective demand rather than a burdensome plenitude. The users of cotton do not begin to be generous with themselves. The world could use twice as many freshly laundered shirts as it does and still not be any too cleanly. In world trade, it is as important as wheat. It cannot be grown, as can the grain, in almost any latitude and its use is almost as universal as that of bread.

"What do you say to cotton?" There is no story of trade and commerce more romantic than the coming of cotton into its own. Manchester rode to fame and fortune on the bales of cotton that made our Sunny South the home of the only aristocracy our country ever had. We became so impressed with the importance of cotton and our domination of the supply that we became "one crop" farmers. Landowners insisted every tillable acre grow cotton only. We forgot that, long before our Civil War, England had sent cotton seed into every country where cotton could possibly be grown in an effort to make Lancashire at least in part independent of our production. And now we have taken our cotton fields into political control in an effort to rid the world market of a temporarily unmarketable surplus.

Last year we plowed up 10,399,331 acres of growing cotton, distributed benefit payments of $111,000,000, advanced $48,000,000 on options held by planters and with some bank co-operation made loans on cottons running to $250,000,000. Today we are about to place an arbitary limitation upon the amount of cotton that may be ginned and sold except under an impossible and prohibitory tax, and we are about to tell every individual cotton grower how many bales of cotton he may produce up to the point where the tax goes into effect.

Half the World's Needs

Cotton is not a purely domestic matter with us. We grow about half of the world's needs—more than half rather than less—and we send abroad sometimes as much as 9,500,000 bales in one year. A planned economy which impinges upon the rest of the world, which attempts to regulate the natural supply of a vital necessity is an economy packed with dynamic possibilities. For a very large part of our cotton growing states the export market is as necessary as food and shelter, in fact it has hitherto literally provided food and shelter for a good part of our cotton planters who, unfortunately, have too long neglected the basic principle—the primary requirement of agriculture—adequate self-sufficiency.

Our own annual consumption of cotton runs from 4,323,000 bales (1910-11) to 6,880,000 bales (1926-27). If production is limited to 10,000,000 bales we will still have to

find users abroad for nearly half of the shortened crop. Buyers whom we cannot in reason expect to welcome our idea of artificial scarcity, and higher prices, forced upward by whatever plan of governmental economy may be used, are alert to encourage production in India and elsewhere where the fiber can be grown.

At the Buyers' Mercy

The trouble which cotton growers are experiencing has to do with one of the phases of the law of supply and demand. Just so long as there is cotton in any appreciable quantity not in immediate demand, but offered without takers except at a sacrifice, just so long do we have a market that is at the buyers' mercy. It is bootless to argue that the world actually needs every pound of cotton grown and growing as, in fact, it does. The planters are confronted by conditions not theories. The warehouses hold cotton which spinners will not buy and it is no consolation to talk of theories designed to translate mere need into effective buying power.

The immediate problem as it is analyzed by our planners is how to absorb the existing market surplus and prevent any like future accumulation.

The elaborate program upon which we have embarked to accomplish these ends is one of the most amazing events of history. Elaborate is quite the correct word. Regimentation to the *nth* degree in Texas, of all places in the world, where an older generation resented even the smoke of a newcomer's fire smirching the horizon ten miles away.

To begin with, however, we should perhaps outline the position which is to be attacked and routed by our plan of artificial scarcity. First then as to production, if we go back to 1907 we find that out of the 27 years in only two have we failed to contribute ten million bales or more for the world's need. The grand average for this period is 12,880,000 bales, and we had four years when our total ran more than 15,000,000 bales. While we are thus counting bales we may note that in 1914 we picked just under 16,000,000 bales from 35,615,000 acres; in 1921 we picked just under 8,000,000 bales from 28,678,000 acres. The acreage decline was 19.45 per cent while the cotton picked was off practically 50 per cent. The real ruler of the cotton field is the weather. Something for economic planners to consider as they issue the projected permits to our planters.

How far then has our production of cotton outrun consumption? Here, despite any desire to be nationally self-sufficient or to be independent of obligation to the rest of the world, we must take world figures into account. During the 27 years from 1906-07 to 1932-3 we find the world used an annual average of 12,800,000 bales of American cotton. It would seem that cotton ought to be in almost ideal balance.

Nevertheless there is the existing carryover and its more or less immediate disposition is engaging the attention of the cotton world from Indian peasants to our No. 1 planners, Secretary Wallace and his assistant, Dr. Tugwell.

The present over-supply of cotton began to back up with the advent of the depression. The tabulation below will help to show what happened.

In the crop year of 1931-32 we produced a bumper crop surprisingly made by ideal weather conditions in the late season. It totaled 16,877,000 bales, and the world carryover equalled an average crop of American cotton. The current carryover is 11,597,000 bales. The why of this condition must be looked for in the inability of the countries where spinners would use our cotton to sell us other gords and with the proceeds buy cotton.

Carryover in 1,000 Bales and Percentages

	American Cotton		Indian Cotton		Total—World
1928-29	4,517	48.25%	3,722	40%	9,367
1929-30	6,187	55.55%	3,380	34%	11,113
1930-31	8,919	63.75%	3,035	21.65%	13,946
1931-32	13,228	72%	2,354	13.64%	17,412
1932-33	11,754	72.50%	3,118	19.25%	16,247

The point of all this is that quite alone, with other cotton growing countries eager to possess a larger share of the market, we are now to undertake to rectify this world condition by drastic curtailment of output.

The Bankhead bill is reported as completed, ready for its formal passage by both houses of Congress and the President's signature. The bill does not supplant or obviate the voluntary allotment plan. It proposes to limit production to 10,000,000 bales for the current 1933-34 crop year, by issuing to each individual planter an exemption certificate setting out the amount of cotton which he may gin and sell. Additional cotton grown may be ginned and stored, but when sold it must carry a bale tag showing payment of a tax equivalent to one-half of the existing market for spot cotton or in any event a minimum of 5 cents a pound. It is apparently considered by the sponsors of the bill that there is saving grace in making the measure effective for only one year, with power given to the President to carry it along another year in his discretion.

Losing a Market

We must all know that is a great deal easier to lose a market than it is to win it back, once lost. Argentine cotton planters are advised to take added pains with their crop; India is in a bit of a snarl; Japan is her best customer for raw cotton. Japan began to sell cotton goods in India below any price that native mills or Lancashire could meet. India put a 75 per cent tariff on Japanese cotton goods. Japan retaliated with a boycott on Indian raw cotton and became a greatly enlarged user of American cotton. In world trade one is enabled to sell only as one is a buyer. World trade is the original game of "put and take." "What do you say to cotton?"

We are not here interested in the method of administration, the penalties for the non-use or misuse of bale tags nor the possibilities in the way of bootleg cotton. What is of interest is the degree of encouragement held out to foreign planters.

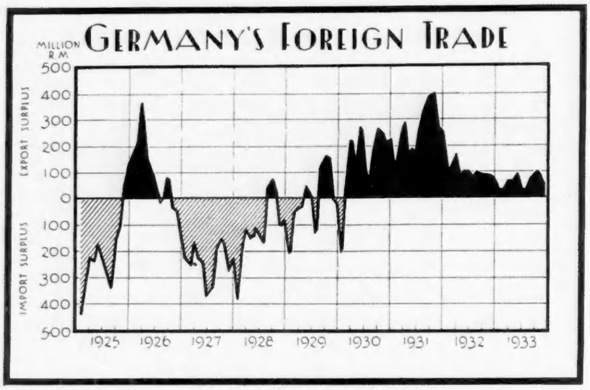
How eager are foreign producers to expand acreage, take added pains with seed, fertilizer and cultivation in the hope of wresting from America her domination of raw cotton? What grounds have they for the hope that whatever control America abandons they may seize and hold?

Acreages become important. Our own can vary all the way from 30 million to 45 million. The present program calls for a reduction to 25,000,000 acres. India's cotton fields vary year to year, all the way from 18 million to 28 million plus. Egypt's Nile Valley is circumscribed and variations in its planted area are comparatively neglible. What growth we have in Arizona of long staple cotton which classes with Egyptian is specifically exempted from the provisions of the Bankhead bill. We may well be prepared to see some extremely substantial increases in acreage in India, if the trade snarl between India and Japan can be (*Please turn to page 55*)

Germany On the Spot

Cycle of Debt Repudiation Nears Completion As Gold Holdings Shrink and Foreign Trade Declines

By H. M. Tremaine



GERMANY is again the economic storm center of Europe Her gold reserve, now at the lowest point in the history of the Reich, and the deficit in foreign exchange point the way to a further and perhaps complete restriction of payments on account of foreign debts, both public and private. As this issue of THE MAGAZINE OF WALL STREET is in press, Germany's private creditors are assembling in Berlin, ostensibly to confer regarding the situation, but really to be told what they are to get in the future, if anything.

It is expected that Dr. Hjalmar Schacht, president of the Reichsbank, will tell the long-faced creditors that for some time to come there will be a complete transfer moratorium, including even the hitherto exempted Dawes and Young plans loans. Cessation of transfers means, rudely, that Germany will pay only in marks, which is equivalent to saying that she will pay only for delivery in Germany. To collect his debts a creditor of Germany is to be obliged to move to Germany or leave the proceeds there. Hitherto, since the situation became tight, Germany has been transferring 30 per cent of obligations—leaving the remaining 70 per cent in "blocked marks."

The end of transfers may be a sad affair for the United States, England, Holland and other creditor countries, but it may not be especially dismal for Germany. Indeed, it may be an advantage to her. Repudiation of an insupportable obligation usually brings a feeling of relief, as well as real relief, to a debtor, whether man or nation. If a debtor nation lacks both gold and foreign credits it simply can't pay across international lines. There is no doubt that Germany now finds herself in an approximation of that situation.

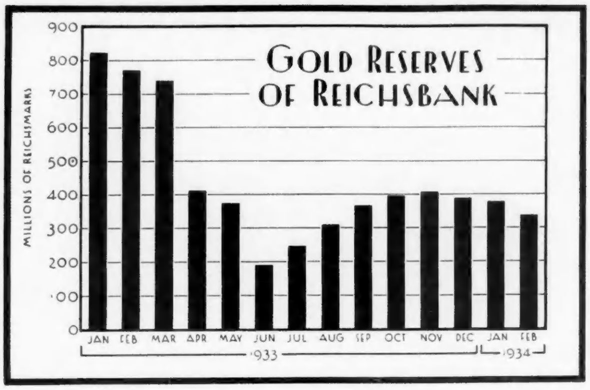
With virtually no foreign investments, Germany is dependent for foreign exchange entirely upon the excess of commodity exports over imports and some invisible favorable balances of small amount. Quite aside from the aspirations of autarchy, Germany has been compelled to strain every nerve to increase her exports and decrease her imports. Some months ago she shut down on raw materials until June, and foreign manufactured articles are imported only to an irreducible minimum.

Far from being embarrassed or ashamed, Germany regards the exchange situation as another economic bargaining advantage. For some time she has been more generous with her exchange mite toward some countries than others, the others being notably the United States. Now, more than ever, Germany will buy as much as possible from the countries which buy generously from her, and as little as possible from others. Wherever there is balanced exchange of purchases between Germany and another country there is no outflow of valuta (gold or its international equivalent), wherever the balance is in favor of Germany there is an inflow of valuta. Evidently, the thing to do is to get rid of the adverse trade balances. One way to do that is to eliminate trade with countries which produce no valuta for Germany. The new "grossraumwirtschaft", or regional economy policy, seeks to divert imports from overseas to neighboring countries in Europe, which buy heavily from Germany.

It will soon be put up to the United States to buy more heavily from Germany or postpone indefinitely any settlement of private debts through cash or exchange transfer. This is the old German game again. Just as formerly American investors put up the cash for Germany's reparation and other foreign payments, so now the American buyer is expected to produce the means of paying Germany's American creditors. The present creditors paid France and England and the rest of the Allies so long as reparations were observed. Now they, in turn, will get payment only as some more American money finds its way to Germany. And the German position is a difficult one to controvert, for it is axiomatic that it takes cash to pay debts in cash, and if the creditor cannot accept the German variety of cash—paper marks—it is most unfortunate. Germany maneuvered the United States into financing her political debts to England and France, and now she may maneuver our consumers into paying her American debtors.

Repudiation is now in good standing the world over. Reducing the debt burden has become the fashion; the method unimportant. Paying debts is considered evidence of moronic understanding of economics. The Allies are through with their political debts to the United States, our own Government has repudiated a promise of a hundred years standing to redeem its currency and pay its bonds in gold—and is now settling at 60 cents on the dollar. Those French corporations which are paying the interest and prin-

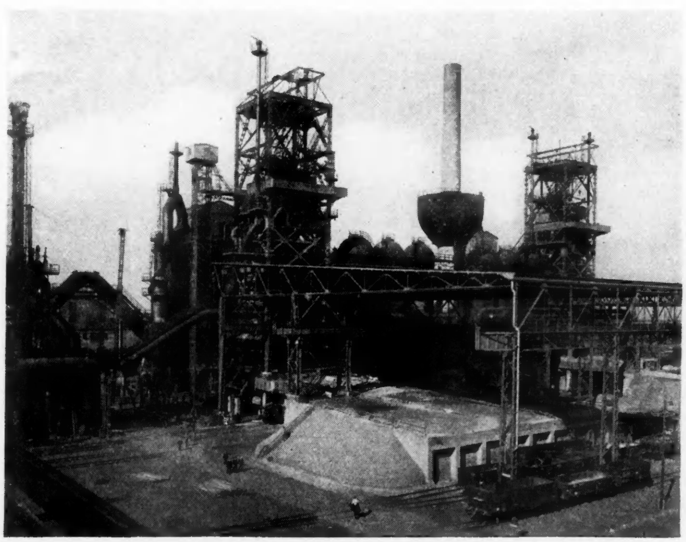
cipal of bonds due to American investors in gold or its equivalent are considered both anomalous and foolish. Why a French corporation should pay in gold when its government will not pay in anything is one of the wonders of a wonderful age.



Whatever untoward happens at Berlin the United States is certain to get most of it. Holland, Switzerland and England, (domiciling most of the non-American creditors) having the balance of trade with Germany against them, can, if they wish, enforce their own terms on Germany and make her pay them in full. The United States, with no seizable Teutonic collateral, is helpless, there are no German balances here to be impounded. It is, however, suavely—as suavely as can be by Hitler—pointed out that it is quite possible for American creditors to pay themselves off by buying themselves out of credit. Thus we stand to be clubbed into taking our credits out in goods or leaving them safely frozen in Deutschland. While our credits abroad are putting us out of the export business, Germany purposes to go a step further and use them to put her into a profitable export trade with us.

It by no means follows that Germany's acute lack of internationally acceptable cash and exchange portends a debacle. So long as she can obtain the necessary foreign raw materials she can get along. Now she contemplates a governmental unification of foreign trade, confining imports to countries that buy German goods. But if all her gold runs out, and exports do not suffice to pay for imports, there will be grave days ahead. Rising prices of raw materials make that a possibility. So long as raw products were at the bottom Germany could work out an export surplus, largely of manufactures, but the situation is different now. Measured by physical volume Germany's exports fell off 5 per cent in 1933 while imports remained stationary. Measured in marks, exports fell off 15 per cent and imports only 10. Measuring also in marks, it is found that the favorable balance of more than a billion marks in 1932 fell to only 200,000,000 in 1933.

When a country's policy makes toward self-containment, however, decline in foreign trade is not a dependable index of its economic condition, unless it be assumed that the policy is inevitably a destructive one. Statistics of German domestic trade certainly establish a presumption of improving business.



Nesmith Photo

Krupp-Hutten Works at Essen

Iron and steel figures tell a tale of increasing output and domestic consumption. During 1933 home consumption of coal increased, electric power production bounded sharply upward, freight traffic increased; employment was increased by 1,300,000 and the number of the unemployed was reduced by 2,000,000, but the average income of the working classes as a whole decreased. Interest rates remain excessively high, and the working classes are in virtual servile regimentation. While there is undoubtedly real improvement it rests largely upon governmental management of economics, and it remains to be seen how successful this "unified economic policy" will be in the future. It is apparently tending to put more emphasis on governmental direction of foreign trade than hitherto. It is of great concern to the United States, for if it succeeds it means that the world will be nearer to a fully state controlled international trade—a status that may compel some profound changes in the management of our foreign trade.

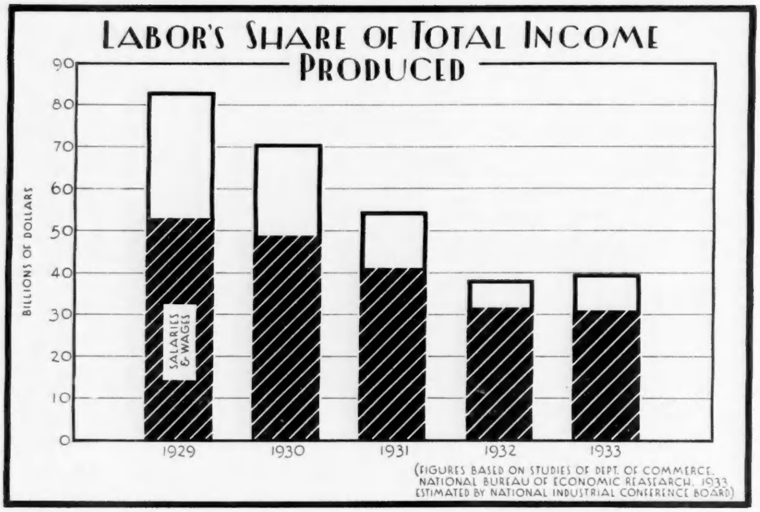
Future developments in Germany will be considerably affected by the world trend, which is now toward recovery, but they may also be adversely effected by the country's political policy. Hitler appears to have alienated Russia which has been accompanied by a turning of that supreme example of unified economic control to the United States and France, thus depriving Germany of much of a trade in which she has led. The economic boycott which is being applied to Germany in retaliation for Hitler's racial bigotry is beginning to be effective. While it is true that the United States increased its imports from Germany by 6.2 per cent in 1933, imports from Europe as a whole gained 18.8 per cent and from the United Kingdom no less than 49 per cent. No doubt the fact that the United States and the United Kingdom are both on depreciated currency at adjacent levels has something to do with the bulge in imports from Britain, but there is no comparable explanation of the gain of 38 per cent from gold-ribbed Holland or even of the 11.1 per cent gain in the import trade with France, still wedded to the golden franc. Neither does the reduction of German imports from America explain the difference, for none of the countries mentioned imported from the United States on a scale comparable to the gain in imports from them. Comparing France with Germany, both being on the gold standard of

(Please turn to page 50)

Where Does Income Go?

A Graphic Study of Labor's and Capital's Share During Boom and Depression

By Laurence Stern



FEW subjects are as fascinating as the national income and the distribution thereof. The complex statistics can be and are, interpreted by New Deal experts to prove conclusively that the Old Deal was a Raw Deal—that capital's reward was exhorbitant, that of labor inadequate. They can be interpreted, moreover, to show that in depression the burden fell most heavily on wage incomes and least heavily on incomes of the property-owning class.

A quite different interpretation is had, however, when the facts are examined without emotion or bias. Following more than a year of intensive research by the Department of Commerce and the National Bureau of Economic Research, in response to a Senate resolution, comprehensive figures have recently been issued covering distribution of national income for the years 1929-1932.

In this study distinction is rightly made between national income "paid out" and national income "produced." The significant fact is that 1929 was the last year in which income produced exceeded income paid out, the margin being slightly less than 2 billion dollars. But in the years 1930, 1931 and 1932 our economic system paid out a total of some 24 billion dollars more than was produced. Obviously this could only be done out of the conserved surpluses of prior years. Obviously, also, first claim on the surplus earnings of the past belongs to bondholders.

It is to miss the point to read from this study that salaries and wages in 1932 were only 59.8 per cent of the 1929 total, while "property income" was 69.5 per cent of 1929. The latter percentage is derived by lumping together dividends and interest, yet the fact is that dividends in 1932 were only 43.4 per cent of the 1929 level, while interest payments were 96.8 per cent of 1929. How else should it be? The bond investor accepts a limited income in prosperity with the hope that the same income will be assured in depression.

Leaving interest out of the reckoning, we find that 1932 dividends at 43.4 per cent of 1929, 1932 rents and royalties at 44.1 per cent of 1929 and 1932 "entrepreneurial withdrawals" at 59.2 per cent of 1929 were all harder hit in depression than salaries and wages, which in 1932 totalled 59.8 per cent of 1929.

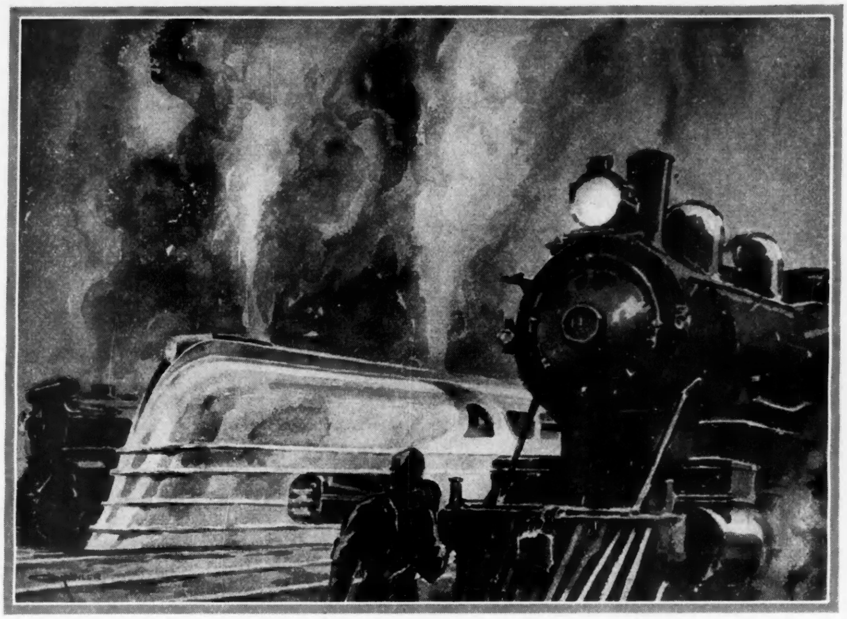
The report shows that salaries held up better than wages. This is undoubtedly true, although the evidence was taken from a selected group of industries, including mining, manufacturing, construction, railroads and water transportation. Salaries in 1932 constituted 6.9 per cent of income paid out, against 7.1 per cent in 1929; but wages constituted only 14 per cent of income paid out, against 21.2 per cent in 1929. Here, too, the explanation is simple. Every enterprise has a certain number of salaried employees in key positions. From the employer's point of view, their interest, in relation to the continuity and survival of the enterprise, necessarily comes ahead of that of wage workers in less responsible positions.

Despite this contrast, it is interesting to observe that total wages and salaries in percentage of income paid out have varied but little, amounting to 65.2 per cent in 1929, 64.5 in 1930, 64.8 in 1931 and 64.5 in 1932.

As the graph accompanying this article shows, labor's percentage—that is, salaries and wages — of total income produced has tended to grow during (*Please turn to page 48*)

Management's Share

	All Companies	Companies with Assets under $1 Million	Companies with Assets over $1 Million
Ratio of compensation of officers to:			
Total Assets......	0.9%	4.2%	0.3%
Gross Sales......	2.4%	5.1%	1.1%



Water-color by Otto Kuhler, Courtesy Schwartz Galleries

Co-ordination of Transportation Opens Way for Rail Comeback

Larger Freight Traffic and Control of Competing Carriers Should Have Marked Effect on Earning Power

By Pierce H. Fulton

WHAT is the present position of the railroads? What is the outlook for them? Is this the time to buy railroad stocks? These questions have been asked frequently of late. They are still being asked.

There can be no doubt about the present position of the railroads compared with that of a year ago. In March, 1933, traffic and earnings were at the low ebb for the depression period. The following month, improvement was noted which, with moderate dips, continued through the year. The actual improvement in earnings for those nine months has been on record for some little time. During the first three months of this year, there was rather more than a seasonal gain on the whole. A further increase in traffic is predicted for the current three months by the several regional advisory shippers' boards. Most of the railway executives look for larger earnings within that time.

In the main these expectations appear well justified. There are distinct indications of a still larger volume of traffic. Whether, however, the increase in earnings proves to be in proportion will depend in part on the outcome of present labor problems, notably that involving a continuance, until the end of this year, as proposed by President Roosevelt, of the 10 per cent deduction in the pay of unionized railroad labor. The present agreement expires June 30.

What Washington does regarding legislation for the railroads will be an important factor in their earnings. There are two things that Congress could and should do that would help mightily—place the motor buses and trucks, water carrier industry and airplanes under the supervision of the Interstate Commerce Commission and require co-ordination of the facilities of these newer transportation mediums with those of the railroads. It is with this latter proposition that this article will deal chiefly. Until it is put through, the position of the railroads will continue unstable to a rather disturbing degree, by reason of unjustifiable and largely unprofitable competition. If comprehensive co-ordination were made compulsory and effective, of course regulation of the now competing mediums would come automatically.

Before taking up the question of co-ordination in greater detail, it will be well to outline a little more fully the im-

mediate outlook for the railroads without co-ordination. The forecasts to be given will set up a better background for a discussion of the unquestionably big benefits of co-ordination.

Selected Roads Favorably Situated to Reflect Nearby Improvement

	Fixed Charges Times Earned		Earnings Per Share Common	
	1932	1933	1932	1933
Atchison	1.56	1.28	$0.55	d$1.03
Bangor & Aroostook	1.86	2.23	3.23	5.29
Chesapeake & Ohio	3.18	3.71	3.07	3.69
Delaware & Hudson Co.	0.23(a)	0.31(a)	6.42	3.52
Erie	0.81	1.03	d3.77	d1.34
Great Northern	0.32	0.84	d5.39	d1.28
Louisville & Nashville	0.82	1.16	d1.80	1.53
Norfolk & Western	5.08	6.73	11.30	15.20
Northern Pacific	0.86	1.02	d0.80	0.12
Pennsylvania	1.17	1.23	1.03	1.46
Union Pacific	2.31	2.42	7.49	7.92
Western Maryland	1.19	1.29	d1.64	d1.04

(a) Delaware & Hudson R.R. d—deficit.

Fewer railroads reported net losses after fixed charges for 1933 than for 1932. A good many, some large ones, reported net losses for January and February of this year, but they were much smaller than a year ago. Certain railroads that showed a net loss for the first two months of this year are likely to report net income for March. This will be notably true of New York Central, for instance. Against a net loss of $759,395 for January and of $1,788,939 for February, it is probable that the net income for March was in the neighborhood of $700,000.

When will the railroads that have cut off their dividends altogether in the last two years or more—all but a very few have—be able to resume payments, even in a small way, or to increase the rate on common shares, where it was only reduced, as in the case of Union Pacific and Chesapeake & Ohio, for illustration? These questions are being asked by hundreds of thousands of small owners of railroad stocks. At recently held annual meetings of stockholders of several well-known railroads, the presiding officer was asked, bluntly in some instances, when dividend payments might be expected again.

Charles Donnelly, president of Northern Pacific, told a woman stockholder who asked this question that he would not be frank if he attempted to give assurance that payments would start during this year. Charles E. Denney, president of the Erie, suggested to an inquiring stockholder, that dividends could not be resumed by that company on either class of preferred shares until government loans were repaid.

These railway executives, and others, furnished considerable concrete encouragement by informing their stockholders that for the past three months of this year there had been pronounced improvement in earnings over the corresponding period of last year. For instance, A. J. County, vice-president of Pennsylvania, informed a woman stockholder who wanted all the executive officers to forego their salaries for two years, in the belief that this would make it possible to pay a larger dividend than the 50-cent distribution for this year and last, that for the first three months of this year there was available for dividends $4,600,000 against "$660,000 less than nothing" for the corresponding period of 1933. He meant that for the latter period there was a deficit of $660,000 after providing for fixed charges, whereas for this year there was a net income of $4,600,000 over that requirement. In other words, there was an improvement of $5,260,000 in the first quarter of this year over the like period of last year. Mr. County incidentally told the stockholder also that cutting off executives' salaries would yield 6 cents per share a year.

The same day, Charles Donnelly, president of the Northern Pacific, told his stockholders that net income for 1933 was $303,978 against a net loss for 1932 of $1,991,406. This was an improvement of $2,295,384. He stated that gross earnings for March would prove to be $700,000 and net railway operating income $865,000 better than for March a year ago. These figures would mean that for the first three months of this year there was an increase in net railway operating income of $2,300,000 over the first quarter of 1933.

Fred W. Sargent, president of Chicago & Northwestern, cheered the hearts of the stockholders of that company who attended its annual meeting with the statement that net operating income for March would show an increase of about $1,000,000 over a year ago, making net operating income for the first quarter approximately $2,559,000 above last year. At the same rate for the year, he added that net operating income would be over $10,000,000 above last year or $2,000,000 more than the increase needed to meet fixed charges.

Charles E. Denney, president of the Erie, estimated that operating revenues for first quarter of this year would be $3,205,557 over 1933, while net income was placed on $592,698 against a deficit of $1,677,792 in 1933.

With such forecasts it would seem perfectly safe to say that if this is not the time to buy railroad stocks it is not the time to sell them. With the present labor controversy settled, a further improvement in traffic and earnings, and more particularly with co-ordination of the facilities of other important transportation mediums, with those of the steam railroads, there would be every reason for buying the stocks of the latter.

In this connection it might be well to look into the position and future of Northern Pacific, Great Northern, Erie and Bangor & Aroostook. With the record that they have made throughout the depression, Union Pacific, Atchison, Norfolk & Western and Chesapeake & Ohio should participate particularly in whatever benefits may accrue to the railroads as a whole from any of the broad and favorable features of the railroad situation from now on.

Co-ordination of the facilities of one railroad with those of another was undertaken rather feebly last year, as a part of the Emergency Railroad Act. The undertaking has not gone very far or accomplished very much, for several reasons. Naturally, putting the plan into effect would involve laying off considerable labor. As soon as President Roosevelt realized this fact, through Federal Co-ordinator Joseph B. Eastman, he virtually put the soft pedal on this kind of co-ordination by directing that labor should be disturbed as little as possible.

Another difficulty in the way of inter-company co-ordination on a large scale among the railroads, has been a jealous pride to maintain the individuality of each property, particularly that of the larger roads and systems. It might be contended that the same difficulty would arise in connection with co-ordination of transportation facilities generally. It would arise but should be overcome by the Government making such co-ordination compulsory, and assuming supervision of all transportation mediums.

Soon after the Emergency Railroad Act was passed and

co-ordination of railroad facilities alone were being actively discussed in railroad and shipping circles, a prominent railway executive, who had spent much time in Washington in regard to national railroad problems, told the writer, that, in his judgment, Mr. Eastman's activities, for some time, with regard to this undertaking would, for the reasons already mentioned, be limited largely to studies of the major situations and problems involved in this gigantic undertaking.

This is precisely what has happened. While the three regional co-ordinating committees provided for in the Act, were promptly appointed, and have held some meetings and discussed many subjects, nothing big has been accomplished, nor will there be. The scheme is not logical and in various important respects not necessary.

The Emergency Railroad Act called for a Federal Co-ordinator of Transportation and the three regional committees. The President appointed Joseph B. Eastman, for many years an outstanding member of the I.C.C. to fill this position. He performs the arduous duties of that position and continues as a member of the Commission, under whose supervision he works. Not the slightest opposition was recorded by railway executives to the appointment of Mr. Eastman. On the contrary, they were unanimously of the opinion that he was, by all means, the best man for the job.

It is well to note in passing that, whereas Mr. Eastman was regarded as a decided radical when he was appointed to the Commission some years ago, and for some time thereafter, he is no longer so regarded by the leading railway executives, who have had the closest official relations with him. He still believes that government ownership is the ultimate solution of the railroad situation as a whole, but admitted in his first important report as Co-ordinator that this is not the time to embark on such a big undertaking. In every other important respect, Mr. Eastman approaches individual railroad problems from much the same angle as the executives. He knows their mistakes and is not slow to point them out, but in proposing remedies he realizes the difficulties involved in the efforts of the executives to put them into effect.

Withal, Mr. Eastman is notably able and correspondingly honest. With this understanding of the man, a study of his ideas with respect to co-ordination of the facilities of all the other important transportation mediums of the country with those of the railroads can be followed more intelligently than otherwise, and should lead to increased confidence on the part of owners of railroad securities, present and prospective, in the reasonableness and importance of such a comprehensive undertaking.

It may be noted in passing that, Mr. Eastman, in his first report on the railroads as Co-ordinator, did not favor, for some time to come, a "grand consolidation plan" for all the railroads. He observed that "such a plan would precipitate a controversy in which many railroads, many communities, and labor would join with equal vigor, and from which it would be difficult to emerge."

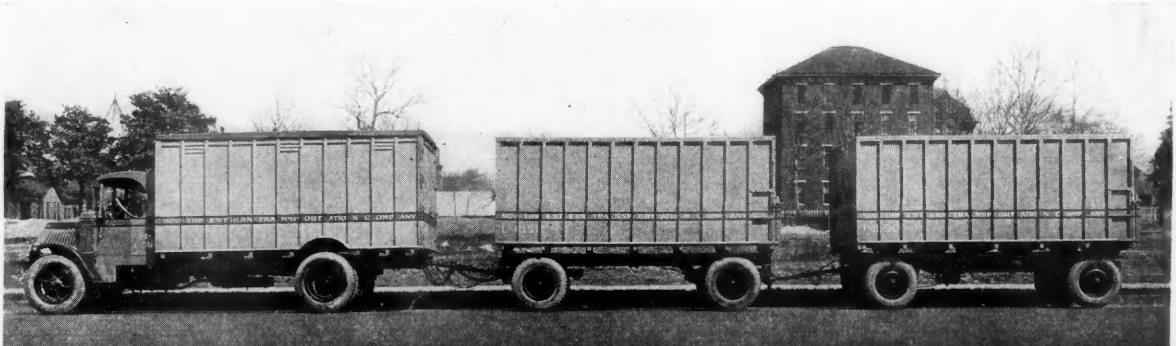
In his second report as Federal Co-ordinator, Mr. Eastman deals specifically with general co-ordination. Read carefully the following words from that report, in which he clearly and forcibly sets forth what the transportation situation in this country should be:

"The conclusion is reached that both the water lines and the motor trucks and buses should be brought under a greater degree of regulation; that the aim should be to obtain a well-knit national transportation system, with each form of transportation playing its appropriate part, with a minimum of waste and duplication; and that to achieve this end Federal regulation should be co-ordinated in the hands of the Interstate Commerce Commission."

Continuing, he said: "The enormous increase in transportation facilities in recent years has led to a bitter struggle for traffic, not only between the different forms of transportation, but in each group, and this struggle has been intensified by the depression. This situation imperils the financial stability of the national transportation system, threatens wages and working conditions, and creates a demoralization in rates and charges, which, in the long run, is a menace to commerce and industry."

After portraying in considerable detail the demoralized and unprofitable situation existing in the motor truck industry and the proportionally bad situation in the water carrier industry, Mr. Eastman gives the following as the only remedy, in his judgment, after a comprehensive study:

"The conclusion is reached that the entire transportation industry, including the other agencies, as well as the railroads, is in need of the guiding hand of government control, if a threatening chaos is to be transformed into order. The object of such control is not the protection of the railroads only, but the proper protection of every form of transportation. They will have their parts to play, for each of them can do certain things better than any other agency. The problem is to find their appropriate functions, protect them in the performance of such functions, prevent wasteful duplication of service without eliminating such competition as is economically sound. It is too much to expect that all of the present facilities of transportation in each group can survive, for there are many which are now without economic justification, but out of the present confusion and waste, a sound and well-co-ordinated system of transportation can be built." *(Please turn to page 50)*



Courtesy, Mack Trucks

Under proposed regulation, trucks would become rail feeders rather than competition

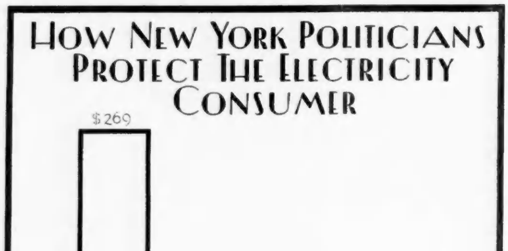
Public Utilities Under Fire

Attacks for Political Purposes Threaten Investors' Interests in New York State and Elsewhere

By Francis C. Fullerton

IT is always open season for political attack on the public utilities, but the big guns of politics roar loudest in election years. There are elections to be held next autumn and politicians are thinking of votes. Some 20,000,000 residences in this country use electricity and more than half of the voters live in those residences.

And so today Congressmen, Governors, state legislators, mayors, aldermen and a host of other paid servants of the people are busily denouncing the utilities, taxing them, paring their revenues, investigating them and further regulating them. And so today the investor in public utility securities feel more than ever that he is the real Forgotten Man.



It appears to be a time-tried and entirely safe political formula. Moreover, attacking the other fellow—and especially a mysterious public enemy such as the suppliers of essential electric and gas services—is always an excellent political defense. Next to the promise of a hand-out from the United States Treasury, the surest political bet seems to be to promise the voters huge savings in their electric light bills. Thus office-seekers are not infrequently known to promise to cut the domestic electricity bill by $500,000,000—although that annual bill in its entirety is only some $650,000,000!

From the politicians' point of view, there is great advantage in this strategy. If the voter can be induced to focus his eyes on his electricity bill, perhaps he will think less of his tax bill! For all forms of government we spend something like $15,000,000,000 a year in this country. A saving of less than 5 per cent on this bill would more than pay Johnny Consumer's annual electricity bill—but the public servants never seem to get excited over this possibility.

In New York State the utilities at the moment are coming in for an especially severe political drubbing. Acts of doubtful propriety by a single legislator of previous small prominence have been sensationalized by the anti-utility forces and seized upon as "proof"—somewhat illogically—that the "power trust" is an octopus of evil; in fact, Public Enemy No. 1. There is to be an investigation of this legislator by the Legislature. There is to be another investigation of all New York State utilities—a blanket fishing trip.

Meanwhile, and more to the point, a series of restrictive laws fathered by Governor Lehman—who has the unique record of having stepped out of the decidedly unpopular Wall Street investment banking business to a highly successful political career—have been adopted or are on the point of adoption.

Among the most important of these laws, one enables the Public Service Commission to impose "temporary" rate reductions on the utilities to a level allowing them to earn not less than 5 per cent on the value of their properties "used or useful" in the public service, less depreciation. Another enables municipalities to set up their own power plants. Another enables existing municipal plants to extend their services to adjacent territory. Another permits the Commission to make a utility pay the cost of being investigated. In all, twelve bills will become law—all punitive or restrictive in relation to existing private utilities.

In the City of New York, Mayor La Guardia, not to be out-done, is out with vague promises to cut the public's electricity bill. The city needing money, as usual, it has also occurred to him to revive last year's "temporary" tax of $1\frac{1}{2}$ per cent on gross revenues of utilities operating in New York City. This would cost them something like $16,000,000 a year. Has anyone ever heard of a "temporary" rate reduction or tax that failed rather quickly to become permanent?

The graph accompanying this article throws some thought-provoking light on the possible savings that can be effected in Johnny Consumer's cost of living in the State of New York and in the City of New York. It will be seen that in 1933 the average family in New York State paid approximately $32 for electricity, but paid some $66, or nearly three times as much, for the State's government. In taxes to the City of New York the average family last year paid $269 or nearly seven times the average family electricity bill. More than 60 per cent of the people of the state reside in New York City and pay both tax bills! If Johnny Consumer's electricity bill were cut by 25 per cent the $8 saved would pay less than one-eighth of his State tax and less than one-thirty-fourth of his city tax.

It is also a fact—and one about which politicians never make speeches—that electric rates have declined steadily since pre-war days, through inflation and deflation, and today are very substantially lower than they were in 1913. During the same period the cost of New York State government soared to a 1930 high more than four times greater

(*Please turn to page* 52)

Prospects Favor Continued Bond Strength

Potentially Adverse Factors Are Not an Immediate Threat

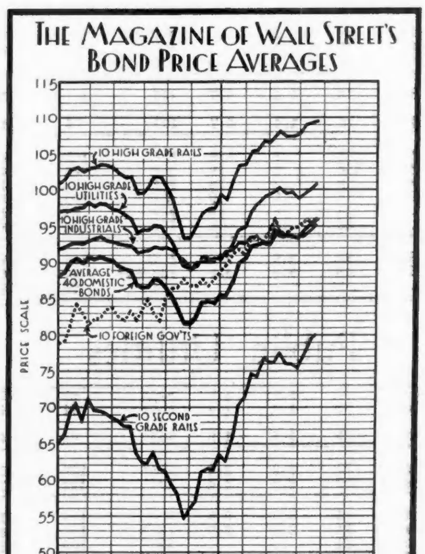
By J. S. Williams

FROM the extreme depths reached in the early summer of 1932, the bond market has now advanced 44%—a rise, comparable only to the precipitous decline that preceded it. The market approaches record-breaking territory, a fact that is interesting in itself quite apart from considerations as to whether new records actually will be chalked up or not. But before discussing the possibility of new records, let us establish first the relative height at which representative corporate bonds are currently selling.

To do this, it is necessary to go back some little way. Life as we know it, particularly some of the more unfortunate economic aspects, appears to date from the War, so this will be taken as a starting point. A month or two prior to the declaration of war by the United States in April, 1917, the Dow, Jones Bond Averages (our own were not then in existence) stood around 96. Under the combined influence of big returns from the employment of funds in industry and unprecedented borrowings on the part of the Government, interest rates rose steadily and the bond averages swooped downwards, reaching a low of 72 in 1920. From there they rose, with but one major interruption, to a peak of 99 at the end of 1927. Both 1928 and 1929 were years of declining bond prices. Following the crash in common stocks towards the end of the latter year there was a short-lived and unimpressive bull market in bonds as the Federal Reserve did its best to stimulate business recovery by engineering conditions of cheap money.

The attempt failed and in the middle of 1931 the averages jumped over a precipice which proved to have a bottom only at the 66 level. This was much lower than bonds had ever been during the time that the United States was at war and considerably lower even than the prices seen in the very sharp depression of 1920. At this point, the present bull market started and, so far, as has been stated, the averages have risen 44%, or to the 95 level. Another point or so and they will stand higher than the peak of 1917; less than three points and they will be higher than anything seen in 1930, while a further advance of five points would establish a new high record since the outbreak of the World War.

The extreme cheapness of money is, of course, the main prop to the present bond market. At the same time, the business improvement which has bettered the credit standing of many companies must be acknowledged to have had some effect upon prices. Going one step behind the current ease in money, one can say that it was the open market operations of the Federal Reserve banks that brought it about, and that these open market operations have been more than normally effective because the Securities Act has very efficiently damned up new financing.



It is significant that last year corporations raised less than $24,000,000 "new money" by means of long-term bonds, compared with $271,000,000 in 1932, $951,000,000 in 1931, $2,500,000,000 in 1930 and $1,900,000,000 in 1929. For the first three months of this year, while new long-term corporate financing had improved to the extent that it was running at the annual rate of $36,000,000, this is still pitifully small compared with the recent past. Not even tremendous borrowings on the part of the Federal Government and a good volume of state and municipal issues has served to offset the dearth of corporate financing and, as a result, capital has piled up, and continues to pile up, with nowhere to go except into existing issues.

That the influences making for higher bond prices are currently in the saddle may be realized from the fact that news of further currency tinkerings (silver) with a view to making commodity prices go up faster, further, or differently, than they have been doing, finds almost no reflection in the bond market. Government obligations which, it might have been thought, would be most sensitive to such adverse developments, are among the strongest of all groups. Recent conversion offers have been quite successful and it would occasion no surprise should the remaining Fourth Liberties be called, or refunded, with further savings to the Government in interest charges.

It seems that there are but four factors that could reverse the present trend of the bond market. The first

(*Please turn to page* 48)

The Magazine of Wall Street

The Magazine of Wall Street's Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration; while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Atlantic Coast Line R. R.								
1st Cons. 4s, 1952	153	51	.1	.7	N C	97	4.2	Road did much better last year. Bond is a strong one.
Gen. Unif. "A" 4½s, 1964	153	34	.1	.7	N C	90	5.2	Junior to issue above.
★A. C. L. R. R. Louisville & Nashville Coll. Tr. 4s, 1952	153	35	.1	.7	105	84	5.4	Secured by 596,700 shares L. & N. R. R. currently worth $60 a share.
Central R. R. of N. J. Gen. 5s, 1987	56	50	.7	.6	N C	106	4.7	Good bond, tho represents large proportion of total debt.
Chicago & North Western Ry.								
Gen. 5s, 1987	428	141	.3	.6	N C	87	5.8	Medium grade.
1st & Ref. 4½s, 2037	428	79	.3	.6	N C	59	7.6	Junior to issue above.
Conv. 4¾s, 1949	428	72	.3	.6	105 '34*	52	11.6	Unsecured. Speculative.
Secured 6½s, 3.1.36	428	15	.3	.6	N C	95	9.3	Secured $18,000,000 Gen. 5s
Milwaukee, Sparta & N. W. 1st 4s, '47	428	15	.3	.6	N C	74	7.1	Outstanding at a high rate per mile. Second grade.
St. Louis, Peoria & N. W. 1st 5s, '48	428	10	.3	.6	N C	81	7.2	
Denver & Rio Grande Western R. R.								
Ref. & Imp. "B" 5s, 1978	119	24	.5	.6	102½*	47	10.8	Prior liens total some $71,000,000.
Gen. 5s, 1955	119	30	.5	.6	105	25	....	Interest due Feb. 1 unpaid. Proposing postponement.
Rio Grande Western Ry. 1st 4s, 7.1.39	119	15	.5	.6	N C	91	5.9	Undisturbed 1923/24 reorganization, but now not over strong.
Denver & Rio Grande 1st 4s, 1.1.36	119	42	.5	.6	N C	58	....	Speculative.
Rio Grande Western Ry. 1st Cons. 4s, 1949	119	16	.5	.6	100	66	7.9	Also borders on the speculative.
Great Northern Ry.								
1st & Ref. "A" 4½s, 1961	356	72	.3	.8	105 '41	97	4.7	Prior liens total $103,000,000. Good grade.
Gen. "A" 7s, 7.1.36	356	218	.3	.8	N C	99	7.5	Junior to issue above.
Eastern Ry. Minn. Nor. Div. 1st 4s, '48	356	10	.3	.8	105	98	4.2	Better grade bond.
Montana Central 1st 6s, 7.1.37	356	10	.3	.8	N C	101	5.6	Reasonably strong.
St. Paul, Minn. & Man. Cons. (now 1st) extd. 5s, 1943	356	41	.3	.8	102½*	105	4.3	Better grade.
do Montana Ext. 1st 4s, 6.1.37	356	22	.3	.8	N C	100	6.0	Sound issue.
do Pacific Ext. 1st stg. 4s, 1940	356	£6	.3	.8	N C	....	....	Good bond.
New York, Chicago & St. Louis R. R.								
1st 4s, 10.1.37	161	17	.5	.9	N C	100	4.0	Good grade.
Ref. "C" 4½s, 1978	161	99	.5	.9	102	70	6.6	Junior to issue above and prior liens thereto.
Notes 6s, 10.1.35	161	15	.5	.9	100	78	....	Unsecured and speculative.
Reading Co.								
★★Gen. & Ref. "A" 4½s, 1997	136	74	1.4	1.7	105	101	4.5	Better grade bond, tho represents large proportion of total debt.
Jersey Central Coll. 4s, 1951	136	21	1.4	1.7	105	96	4.3	Collateral is valuable. Good bond.
Southern Ry. Co.								
1st Cons. 5s, 1994	294	92	.3	.9	N C	102	4.9	Fairly sound bond.
Dev. & Gen. 4s, 1956	294	154	.3	.9	N C	72	6.4	Junior to issue above.
★St. Louis Div. 1st 4s, 1951	294	12	.3	.9	N C	84	5.4	Reasonably good bond.
East Tenn., Va. & Ga. 1st 5s, 1956	294	13	.3	.9	N C	104	4.7	Mileage is important. Good caliber.
New Orleans Terminal 1st 4s, 1953	..	14	.3	.9	N C	84	5.4	Fair grade.
Atlanta & Char. Air Line 1st 5s, 1944	..	20	.3	.9	N C	104	4.5	Good, sound investment.
Texas & Pacific Rly.								
First Cons. 5s, 2000	85	25	1.0	1.0	N C	106	4.7	Well secured.
Gen. & Ref. "C" 5s, 1979	85	49	1.0	1.0	105 '39*	85	6.0	Junior to issue above.
★★Washington Terminal 1st 3½s, 1945	..	12	..	..	N C	97	3.8	Guaranteed B. & O. etc. High grade.

Public Utilities

Am. Gas & Electric Deb. 5s, 2028	195	50	1.9	1.7	106*	90	5.6	Among the best of holding company issues.
Carolina Power & Lt. 1st & Ref. 5s, '56	46	39	1.4	1.4	105*	74	7.4	Fair caliber. Rates drifting lower.
Central Illinois Public Service 1st & Ref. (now 1st) "F" 4½s, 1967	56	56	1.6	1.2	105*	64	7.4	Earnings lower. Bond is of fair quality only.
Cleveland Electric Illuminating Co.								
1st 5s, 4.1.39	40	30	3.9	3.4	102*	107	3.5	Of the highest grade.
Gen. "A" 5s, 1954	40	22	3.9	3.4	105	110	4.2	Junior to issue above, tho still strong.
Cons. Gas, El. Lt. & Pwr. of Baltimore								
General 4½s, 2.14.35	64	15	3.1	2.9	N C	103	1.5	Of the highest grade.
★★1st Ref. 4s, 1981	64	41	3.1	2.9	105*	103	3.9	Junior to issue above, but still high grade.
Safe Harbor Water Pr. 1st 4½s, 1979	21	21	..	..	105*	104	4.3	Con. Gas guarantees. Strong bond.
Consumers Power								
1st & Ref. 5s, 1.1.36	92	33	3.0	2.5	105	105	2.4	Of the highest grade.
1st & Unif. 4½s, 1958	92	67	3.0	2.5	105*	104	4.2	Junior to issue above, but still high grade.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Detroit City Gas 1st "B" 5s, 1950	31	31	2.1	..	105*	89	6.1	Of reasonably good grade, despite recent troubles with city authorities.
Florida Power & Light								
1st 5s, 1954	74	52	1.3	1.1	104*	69	8.2	Small margin over charges. Second grade.
Deb. 6s, 1951	74	22	1.3	1.1	...	....	....	All owned by Am. Power & Lt.
Illinois Bell Telephone 1st & Ref. 5s, 1956	49	49	4.2	4.5	105*	110	4.3	High grade investment.
Koppers Gas & Coke Deb. 5½s, 1950	41	41	1.9	..	103½	98	5.7	Good bond.
Nevada-Cal. El. 1st Tr. 6s, 1956	31	28	1.2	1.2	102½*	77	7.7	Represents large proportion of total debt.
★★New England Tel. & Tel. 1st "B" 4½s, '61	88	75	2.5	2.3	100 '53	108	4.0	High grade investment issue.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	1.0	def.	102½*	50	12.0	None too strong holding co. obligation.
Pacific Gas & Electric Co.								
Gen. & Ref. 5s, 1942	306	96	2.2	2.1	105*	106	4.1	High grade.
1st & Ref. "F" 4½s, 1960	306	170	2.2	2.1	105*	98	4.6	Junior to issue above, but still strong.
California Gas & Electric Unif. & Ref. 5s, 11.1.37	306	11	2.2	2.1	110	106	3.2	Of the highest grade.
Sierra & San Francisco Power								
1st 5s, 1949	306	11	2.2	2.1	110	100	5.0	Pac. Gas guarantees int. Reasonably strong.
2nd "B" 5s, 1949	306	8	2.2	2.1	105	....	....	Junior to issue above, but with same guarantee as to interest.
San Joaquin Light & Power Unif. & Ref. "D" 5s, 1957	34	33	1.6	1.6	104*	95	5.4	Reasonably good bond.
Great Western Power 1st 5s, 1946	20	20	1.8	1.6E	106	104	4.6	Better grade.
Public Service Corp. of N. J. ★Perpetual 6% Certificates	210	19	3.0	3.0	N C	116	5.1	Secured by pledge stock of subsidiaries. Good holding.
Public Service Electric & Gas Co.								
★★1st & Ref. 4½s, 1967	115	91	3.8	3.7	104½*	106	4.2	High grade.
United Electric Co. of N. J. 1st 4s, 1949	115	18	3.8	3.7	N C	104	3.7	Senior to issue above. Highest grade.
Hudson County Gas 1st 5s, 1949	..	11	3.8	3.7	N C	111	4.0	Strong bond.
South Jersey G., El. & Trac. 1st 5s, '53	..	13	..	..	N C	....	....	Better grade investment.
Shawinigan Water & Power 1st & Coll. "A" 4½s, 1967	89	89	1.6	1.4	103*	90	5.1	Entitled medium rating only.
Southern California Edison								
Gen. 5s, 11.1.39	138	13	3.0	2.6	105	106	3.8	Entitled to the highest rating.
Ref. 5s, 1951	138	120	3.0	2.6	105*	104	4.7	Junior to issue above.
Tennessee El. Pwr. 1st & Ref. "A" 6s, '47	47	37	1.9	1.7	105*	81	8.4	None too strong. Rate cut ordered.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1932	1933	Call	Recent	Yield to Maturity	COMMENT
★Am. I. G. Chem. Gtd. conv. Deb. 5½s, 1949	30	30	2.1	..	110*	97	5.8	Real caliber difficult to ascertain. Appears good bond.
California Packing Conv. Deb. 5s, 1940	14	14	def b	..	103½	100	5.0	b Year to 2.28.33. Black figures expected for last year, improving bond's quality.
Chile Copper Deb. 5s, 1947	33	33	def.	..	101½*	78	7.7	In itself bond is a good one, but outside circumstances none too favorable.
Crane Co. Notes 5s, 1940	12	12	def	def	101¾*	98	5.4	Recent business better. Deficit for last year much smaller.
★Crucible Steel Deb. 5s, 1940	13	10	def	.5	101½*	92	6.6	Outlook improved, tho still medium grade only.
General Steel Castings 1st "A" 5½s, 1949	17	17	def	def	107½*	87	6.9	Doing better. Medium grade.
Goodyear Tire & Rub. 1st & Coll. 5s, 1957	60	55	.8	2.6	103*	100	5.0	Outlook improved. Good grade bond.
Liggett & Myers Tobacco Co.								
Deb. 7s, 1944	28	13	14.8	11.1	N C	126	3.8	Industrial obligation of the highest grade.
Deb. 5s, 1951	28	15	14.8	11.1	N C	111	4.1	Junior to issue above, but still high grade.
★National Steel 1st Coll. 5s, 1956	42	39	1.8	2.4	105*	101	4.9	Better grade industrial bond.
Socony-Vacuum Corp.								
Std. Oil of N. Y. Deb. 4½s, 1951	87	65	2.3	..	101*	104	4.2	Strong bond, tho not secured by mtge.
Gen. Petroleum 1st 5s, 1940	87	16	2.3	..	102½*	105	4.0	Assumed Socony-Vacuum. Also strong.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	1932	1933	Call	Recent	Yield to Maturity	COMMENT
★★Chesapeake & Ohio 1st Cons. 5s	5.1.39	30	3.2	3.7	N C	107	3.5	Investment of the highest grade.
Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.2m	2.9m	N C	106	2.9m	Earnings Sou. Bell Tel. assuming co.—Highest grade.
★★Edison Electric Ill. (Bos.) Notes 5s	5.2.35	61	2.6	2.3	100½*	102	3.0	Company enjoys a fine credit standing.
Great Northern Power, 1st 5s	2.1.35	7	1.7n	..	110	100	5.0n	Earnings Minn. Pwr. & Lt. Reasonably sound issue.
Pennsylvania R. R. Sec. 6½s	2.1.36	60	1.2	1.2	N C	106	3.4	Pledged security includes $60,000,000 general mtge. bonds, which are good grade.
Texas Power & Light 1st 5s	6.1.37	25	1.8	1.8	105	102	4.3	Of good investment caliber.
Third Ave. R. R. 1st 5s	7.1.37	5	2.0	..	N C	97	6.1	Among the stronger traction issues.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. E Estimated. ★★ Our preferences where safety of principal is predominant consideration. ★ Our preferences when some slight risk may be taken in order to obtain a higher return.

KROGER GROCERY & BAKING CO.

Make Every Unit Pay

Easier Said Than Done—But Success So Far Gives Promise to the Future

By J. C. CLIFFORD

KROGER Grocery & Baking Co.—
Slogan, 1883 to 1929: "Buy up and expand."
Slogan, 1930 to 1934: "Close every store that doesn't pay."

And, so adequately sounded, is the keynote of the fifty-year life of the country's third largest grocery chain.

Today, a chain grocery system means a number of different things to a number of different people. To the consumer, it is a place where food can be bought more cheaply, quality for quality, than elsewhere. To the owner of real estate, it is frequently a godsend. A student sees in it the partial answer to the problem of distribution. To a number of individual retailers, it is a menace to the livelihood garnered by inefficiency. To the politician—especially Indiana politicians — the chain store is something to tax discriminatingly, and by the discrimination gain votes and revenue both. To the stockholder, the chain store is an enterprise that came into his consciousness, *circa* 1926. Its profit potentialities caught and held his interest. Today he would very much like to know whether the chances favor its continued prosperity. Considering the latter group, this discussion must be in the nature of "Kroger and its stockholders" rather than the "chain store versus the independent," although, as usual, the general has an important bearing upon the specific.

As with all chains, the main question is whether Kroger's natural advantages of organization can more than offset the natural disadvantages of "big business" plus the artificial political disadvantages which have recently been introduced. Except for the last factor, there would be no doubt of the answer. Given reasonably good management, a chain store system can make money by serving the public more efficiently than other retailers—which, of course, is as it should be.

To this end the chain store has a number of weapons. The most obvious and that most frequently given is that the chain can buy in bulk for cash, thereby largely eliminating the middleman. This, however, is less than half the story. The chain makes great savings by the employment of high-caliber executives and specialists, and by not only largely eliminating the middleman, but by taking for itself a number of manufacturing profits. Behind Kroger's 4,400 well-kept and well-patronized stores there are offices, warehouses and transportation units in more than twenty different key cities—for the most part west of the Mississippi River and east of the Rockies. Bakeries, packing plants, coffee-roasting plants, dairies, sausage and beverage factories, printing plants and laundries, also exist behind the front.

Yet, all such physical equipment, which one may assume to be as well run as possible, is not the most potent chain store weapon: it is something much less tangible, inherent in the system itself. Kroger, by operating 4,400 stores, scattered over a wide area, is enabled to obtain an *average* result. Let one section be hit temporarily by poor business and other stores can carry it easily until conditions improve. Let competition become over keen, or drift into the phase of ruinous price-cutting, profits from stores in other sections are available to weather the storm.

Independent retailers, of course, have contended many times that by taking unfair advantage of this condition the chains are driving them out of business. Ignoring that the latter have a selfish axe to grind and admitting that they may be right in isolated instances, there is not a shred of evidence to show that the chains, having finally driven an independent

out of business, raised their prices higher, or even as high, as was charged by the independent before he failed. This is to say that the consumer never suffered in the final analysis—a pretty good test of the merit or demerit in anything.

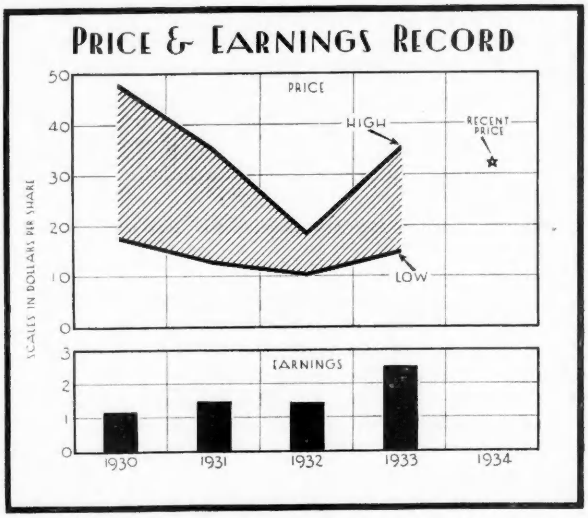
Chains, however, are doing their best to get away from the necessity of price-cutting. Their weapon here is the private brand, and it is effective too. If ABC coffee is cut to twenty cents a pound, XYZ can still stay at twenty-five cents, though it come from the same bean and be roasted for the same length of time by the same fire, for there will always be some poor benighteds who would consider its aroma and flavor worth the difference. On the other hand, if one grocery store cuts permanently the price of Del Monte peaches, for example, all others in the immediate neighborhood must perforce follow suit.

Kroger has been particularly aggressive in developing its own brands, which it either makes itself in its own factories, or has other manufacturers make to specifications. The "Country Club" trade-make stands for high quality, while "Avondale" is applied to more general lines. Incidentally, mention of "specifications to manufacturers" introduces the Kroger Food Foundation, a subsidiary organization engaged in food research. Merchandise before it is sold has to undergo tests and come up to standards of size, weight, quality and flavor. This is quite an expensive business, but undoubtedly well worth the cost even though it be hard to prove in dollars and cents.

So much for Kroger's advantages, tangible and intangible. The disadvantages are those of any large business, plus one or two others which perversely appear to have turned up for the express purpose of plaguing anyone wishing to form an opinion on the financial future of the company. General difficulties include problems of co-ordination, supervision and to some extent the loss of the intimate contact with the consumer which was, and is, one of the most desirable features of the better-managed individual retailers.

In 1929 Kroger ran head on into the general difficulties of a big business that had somewhat overgrown its strength. The main trouble was insufficiently consolidated expansion. Kroger had been developing very fast. As was said at the outset, its slogan had been "Buy up and expand." Other considerations were neglected, and consequently there was trouble—quite a little. Specifically, it arose from the absorption of established chains which brought about considerable duplication of outlets, trouble in making the new chains conform with the parent company's standards and practices, and difficulties with the new personnel. Other chains which have expanded more slowly and by opening up new stores themselves have not had this experience.

Among others, the bankers looked upon what was happening to Kroger and found it unpleasing. The upshot of the matter was that William H. Albers, director and chairman of the board, and a vice-president or two, found that they were no longer managing The Kroger Grocery & Baking Co. This was early in 1930.



The first thing that the new management did was to throw the slogan "Buy up and expand" out of the window. This was replaced by the other "Close every store that doesn't pay." In effect, it was handsomely framed and — in spirit — rested prominently upon the desk of every executive. The next thing was a re-auditing shuffle of the books for 1929 and the conclusion that the per-share earnings reported by the old management for this period should have been $3.37 and not the $3.64 claimed.

Nor was this all. The business was de-centralized and to branch offices went the responsibility for purchases and other operations. Contact was made with Sears, Roebuck & Co. and a mutually satisfactory agreement arrived at, whereby Kroger was to open large, well-found food stores in the former's department stores. This has worked out very well and expansion is to be carried further. At the same time the new management began to place greater emphasis upon quality and upon the building up of goodwill on the part of the public.

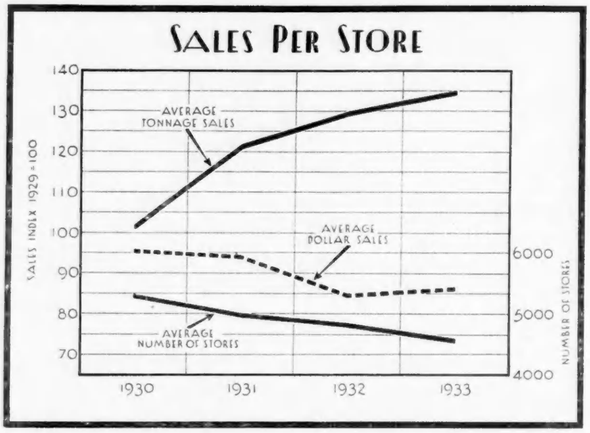
Quite evidently, it was not possible for Kroger to close 400 stores and do all this other reorganizing and policy-changing—and do it all during a year of general depression and declining commodity prices—without there being some effect upon earning power. Profits for 1930 were equivalent to $1.15 a share, compared with the revised figure of $3.37 for 1929.

Yet, if 1930 was the year in which Kroger laid the internal groundwork of recovery (which was the case, for in every year since, as the depression deepened, earnings gained) it was also the year which saw the serious intensification of other, and outside, troubles. The reference is to the chain store tax. In 1927 only three states had placed on their statute books anti-chain legislation. In 1929, two more followed, but one of them, the Indiana law, was declared unconstitutional by the Federal District Court. This law imposed a tax of so much a store, which rose *per store* as the number increased. In the following year two states attained just this objective by means of a graduated gross sales tax. And then, early in 1931, the Supreme Court of the United States reversed the District Court's decision on the Indiana law. On the politician, the wholesaler, and the inefficient independent dawned the glorious possibility of taxing the chains out of business. Events since show clearly that they cannot be accused of neglecting their opportunities.

Whether Kroger's new management saw this discriminating taxation coming, or whether it just happened that new policies resulted in some degree of protection, cannot be known definitely. From the general showing, the management perhaps might be given the credit for its foresight. In any event the policy of closing down stores and concentrating upon larger units, complete with grocery, meat, produce and miscellaneous departments, is one way of attaining a larger sales volume without recourse to too many outlets. At the same time, the stressing of quality, without going to extremely high-priced items, should enable the attainment of profit margins sufficient to be

an important offsetting factor to taxes.

While on the subject of taxes, it might be noted in passing that there was a significant sentence on this subject in the company's latest annual report. It was: "One way and another Kroger will pay or absorb during 1934 forty-two separate and distinct classes of taxes, direct and indirect, and they will approximate $9 per share (earnings last year $2.51 a share), or 7.8% to sales." Operating profit, before Federal taxes and depreciation, is only about 3½ cents per dollar of sales.



Another factor which probably would be considered among the artificial political-disadvantages under which Kroger operates is increased costs of N R A. In any chain store system wages are the most important expense. In the case of Kroger, wages and salaries make up about 60% of the total expense. At the end of last year, despite the fact that there were only 4,400 stores compared with 4,737 a year earlier, the company had some 2,500 more employees on its payroll than at the end of 1932. The wages of these extra employees are equivalent to about 90 cents a share of common stock, or just 10 cents short of the amount stockholders are receiving as a regular dividend.

Yet, this, as with companies in other industries, has not kept Kroger free from labor troubles. Differences arising out of an attempt by the employees in the St. Louis district to unionize were submitted to arbitration. Frankly, under present conditions it seems that labor difficulties are a constant threat. Also, Kroger's path in late months was made less smooth by various state commissions trying to regulate the price, production and consumption of this, that, or the other thing. The company, for example, was refused a milk retailer's license in Ohio for failing to understand that milk delivered to one's doorstep with all the attendent delivery charges should cost exactly the same as that sold over the counter where the expenses of making the sale are only a quarter as large. This particular trouble fortunately was worked out by a change in the policy of the Agricultural Adjustment Administration. The threat of impractical regulation, however, has been by no means eliminated. (See daily papers.)

The background to both sides of the question of Kroger's future have now been sketched in. On the one hand, there was the company's ability to get over quite a serious case of undigested expansion and improve earnings during a time of great general stress and difficulty. This augured well for the time when the pressure eased—a conclusion borne out by the $2.51 earned per share last year. On the other hand, can an inherently sound system, operated by an inherently sound organization prevail against the present tendency to tax and regulate, and then to tax and regulate some more? The reasonable answer seems to be that it can, provided that the taxation and regulation do not become a great deal more drastic than they are at the moment. No one, however, can forecast the "critical" point—the point at which matters would be reversed.

This conclusion should be generally reassuring to the 17,000 holders of Kroger's 1,813,486 shares and time now can be given logically to a consideration of company detail. First, the point can be made that the owners of these shares are the owners of the entire business with its 4,400 stores, offices, factories and goodwill — $100,000 in preferred stock hardly counts as a senior claim. Among the business' other assets not yet mentioned is nearly $10,000,000 in cash or its equivalent, a $6,000,000 investment item and inventories of $18,600,000. On the cash and its equivalent no comment is necessary other than to say perhaps that the amount is a little smaller than at the end of the previous year but larger than was reported at the end of 1929, 1930, or 1931. Something, however, needs to be said on the other two.

The investment item comprises 99% of the stock of the Piggly Wiggly Corp., a company owning patents to a special self-service store layout and fixtures. In the past Piggly Wiggly has done well by permitting others to use its system on payment of a royalty, but last year there was another decline in the number of licensees. As a result Piggly Wiggly paid no dividends last year and consequently Kroger received no income from its investment. The new management, however, having got the main business running smoothly, is concentrating upon the subsidiary. The changes that have been made, together with those contemplated, may well make Kroger's investment in Piggly Wiggly profitable again.

The item of $18,600,000 in inventory is larger than at the end of the previous year by more than $4,000,000. Now, Kroger last year closed 337 stores, net,—showing the new slogan still to be in operation—and at the same time it pursued its remodelling policy on 289 others, the trend towards larger units of the existing system being continued. One could hardly know whether the closing offset the larger unit size, thereby justifying a smaller inventory, or whether the reverse were true and the inventory should have been larger. Moreover, this is the rise in prices to take into consideration. Fortunately the company itself settles the question by stating that the increase in inventory was intentional because of the prospect of still higher commodity prices. Should the judgment of the management be justified, Kroger would be a candidate for a *speculative* gain from the enhancement of inventory value entirely outside of its normal merchandising profits.

On the liabilities side of Kroger's latest balance sheet, there is no more than a reasonable amount in current payables, totalling $6,700,000 and the capital and surplus items that have been covered already. Among the reserves, the item of $373,000 is an interesting one. It is provision for rentals on closed stores, not yet due; in other words it represents lease obligations. This introduces the fact that while Kroger owns many of its manufacturing establishments, it leases practically all its stores. And it is, of course, preferable to pay rent on an unoccupied building than it is to own a building that has become useless for the purposes of the owner. Whittling away at rent payments was one of the ways in which the new management made the reduction in expenses that was so necessary during the course of the depression.

There remains only to say something of Kroger's most recent operations.

(Please turn to page 55)

The "Ifs" in Air Conditioning and Mechanical Refrigeration

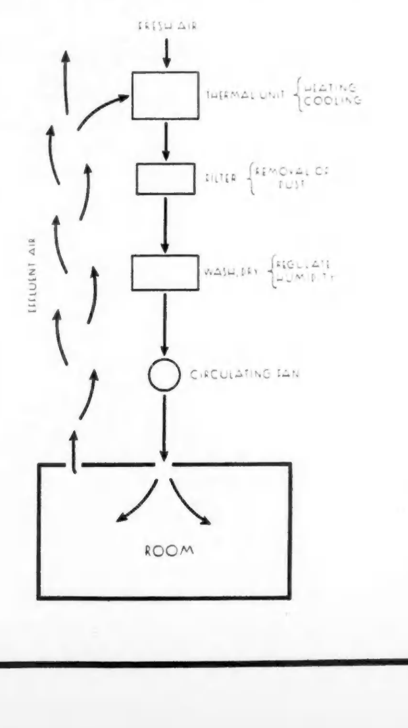
Why the Newest Industry Offers Both Opportunity and Risk to the Investor

By William Wren Hay

BROADLY speaking, there is a phase in the development and growth of an industry during which the common stock of strong producers has an investment character because an increasing rate of return may be earned on the equity while stock dividends, split-ups and larger cash dividends reward the early shareholders. This stage does not arrive until public acceptance of the product creates a market sufficiently large to bring about a substantial and increasing annual production. In the earlier stage, experimentation and a small output keep the price out of the reach of the masses, although the rate of return on the original capital may get to be quite high, so high that investors become avid to share with promotors; and other producers rush in to expand their own sales volume or perhaps to protect their old markets. This flood of new capital into fresh fields of production frequently results in swamping the market, rendering all the capital unprofitable until public discrimination approves the products of only a few strong producers and thereby destines them to success.

This phenomenum of hasty and excessive investment in something new is nowhere better illustrated than in the experience with electric refrigeration during its first few years. Although the first mechanical "ice box" was marketed before the World War, before 1925 there were still not a hundred thousand in use. Suddenly the idea caught the public fancy and, in 1925, output exceeded the total number already made and sales since then have expanded rapidly to exceed over one million units last year. It would seem that a great deal of money ought to have been made by the early investors but the reason it was not was because the capital invested in production facilities was on too grand a scale. In 1926, two enormous new plants were built, each capable of turning out a million household refrigerators in a single year, not to mention the numerous smaller manufacturers who mushroomed into the new market. The result was that the average selling price was forced down from $400 a unit in 1926 to less than $200 last year. Thus, although production grew fivefold, profits were generally negligible.

PRINCIPLES OF AIR CONDITIONING



Nevertheless, the ability of the household market to absorb increasing numbers of electric refrigerators throughout all of the depression years was ample evidence of the vitality of this comparatively new industry and presages several years of further growth. In the meanwhile, producers were eliminated as preference was concentrated on the products of a few strong manufacturers, notably Kelvinator Corp., General Electric Co., Westinghouse Electric & Mfg. Co., Frigidaire (Division of General Motors Corp.), and Norge (Division of Borg-Warner Corp.), not to mention Servel, Inc., makers of Electrolux, the only refrigerator using gas.

The market for domestic mechanical refrigerators is distinctly limited to a proportion of the number of homes there are in the country nor is there likely to be a growing replacement market because these ice boxes do not wear out or get out of style, like motor cars. The annual output is likely to continue at the rate of a million or more, however, for the next few years or until the home market is satisfied. But no matter how the market for domestic refrigerators continues to develop, the progress of commercial refrigeration and, recently, a large and growing export market, not to mention air conditioning, warrant the presumption that long after the household market has ceased to expand, some manufacturers will probably enjoy a large business.

Refrigeration is a necessary component of air conditioning but it does not follow that it need be electric refrigera-

tion. In fact, the early experience of the electric refrigeration industry carries a positive lesson for investors who contemplate the prospects of air conditioning as a new field of investment. Practically speaking, air conditioning is not a self-contained industry but a conglomerate of many highly technical parts involving refrigeration, heating, ventilation and hygiene; and as yet there is no producer of apparatus for complete air conditioning obviously a good "buy" on that account. As a matter of fact, the strongest factors in the new market are concerns to whom other products are far more important. Nevertheless, practically every maker of heating and ventilating apparatus, and of mechanical refrigeration is promoting air conditioning.

Regardless of the rosy predictions made for air conditioning by sales promotors and the trade press, this is a new field, still in the pioneer stage and consequently very speculative. As we shall see, the only sound way for an investor to try to share in its future would be to choose strong corporations whose other interests are large enough to protect against unpredictible developments which might wipe out part of the capital invested in the field of air conditioning.

Endless Ramifications

"Air Conditioning" is not an industry that can be measured. Its ramifications extend into building materials and enlarge the consumption of iron and steel, copper and other non-ferrous metals, various chemicals and insulation materials, all of which have to pass through manufacturing processes. When we consider that a complete system for air conditioning a home includes heating and cooling devices, means to clean and circulate air, humidification, insulation and other refinements, and since there is considerable difference of opinion as to the technical arrangements of these various elements, it will be recognized that there is room for keen competition not only as to the whole but for the parts. For this reason we can only be sure that the fruits of the early growth of this apparently large, new market will be dissipated at first among a great number of pioneering manufacturers.

Listed Companies—Air Conditioning

Company	Listed	Interests
American Radiator & Standard Sanitary Corp	NYSE	Furnaces, radiators, circulating fans, complete units.
Sears, Roebuck & Co.	NYSE	do
Bryant Heater & Mfg. Co.	*	Furnaces, circulating fans, complete units.
General Electric Co	NYSE	do
General Motors Corp. (Frigidaire)	NYSE	Cooling units, circulating fans.
Westinghouse Electric & Mfg. Co.	NYSE	do
Kelvinator Corp	NYSE	Cooling units.
Holland Furnace Co	NYSE	Heating and cooling units.
Minneapolis-Honeywell Regulator Co	NYSE	Control devices.
Modine Mfg. Co.	Chi.	Radiators (heating and cooling), circulating fans.
Johns-Manville Corp	NYSE	House insulation.
Celotex Co.	NYSE	do
Reynolds Metals Corp	NYSE	Metal insulation.

* Subsidiary of A. B. Dresser Mfg. Co. (NYSE).

Some attempts have already been made to standardize but there is considerable difference as to purely engineering features, even about fuels and refrigerants. Briefly, promotors have to deal with air conditioning units and systems,—units for single or multiple rooms, systems for an entire residence or building. For the time being, greatest efforts are being directed to designing air conditioning units and systems for private residences because that is the largest market. In 1930, there were 25 million homes counted by the census in this country and everyone of them is looked upon by these promotors as a potential buyer of air conditioning equipment of one sort or another. Merchandising efforts have to be concentrated on individual home owners because every one has, at this time, different ideas as to the degree of air conditioning as well as the method by which it is accomplished.

This condition may be better understood when we reflect on the many prejudices among householders about heating, whether it should be by hot water, steam or warm air. It makes a difference in the air conditioning system which method of heating is used and since most homes already enjoy heating systems, the first obstacle to standardization is the necessity of fitting the new equipment into the existing installation for heating. We are at once struck with the fact that the maker of a single part of the system has as free a market as anyone who attempts to sell the complete system, because at the present time, the parts supplied by many different manufacturers may be combined into a mechanically perfect whole. Because every installation has to be fully "engineered," selling costs are high and likely to remain so and for the time being high costs keep air conditioning out of all except well-to-do homes.

It would be difficult for a manufacturer to make an agreeable contract from a distance under these circumstances and we may conclude that very skillful selling by local representatives will be essential to the successful producer until more nearly standardized systems have been developed and tested and achieve public reputation. At the present time, it appears as though General Electric Co., with its nation-wide chain of technical sales offices, and American Radiator & Standard Sanitary Corp., with its authorized plumbing and heating contractors in every important town would be able to cover the whole market most intensively. Sears, Roebuck & Co. are already offering air conditioning units "by mail" and its chain of retail stores enable it to display the merchandise to prospective buyers in a great many centers. Although these firms are already factors to be reckoned with, yet it would be a long time before sales for air conditioning would make any appreciable showing in the income of any of them.

Many Companies at Work

Among individual companies which sell materials for this market we mention Libby-Owens-Ford Glass Co., which has introduced an air filter consisting of glass wool in a frame for easy installation and removal; Reynolds Metals Co., Johns-Manville Corp., Celotex Co. and Armstrong-Newport Corp (joint subsidiary of Armstrong Cork Co. and Newport Industries, Inc.), all manufacture and sell insulation either for the heating and cooling elements or for the entire house. Recent developments in the control of cooling by dry ice, manufactured by The Liquid Carbonic Corp., might lead to radical changes in the field of refrigeration, which serves to bear out the contention that the whole field of air conditioning is still in the experimental stage.

No single concern has anything approaching a preferred position in this

(*Please turn to page* 54)

Nine Stocks in Favored Position

Combining Established or Improving Earnings, Advantageous Trade Standing, Sound Financial Status and Good Management

SELECTED BY THE MAGAZINE OF WALL STREET STAFF

Bohn Aluminum & Brass Corp.

Recent Price	Dividend	Yield
63	$3.00	4.8%

WHETHER viewed in relation to current prospects or the possibilities which lie in the company's future ability to broaden considerably its present scope, the shares of Bohn Aluminum & Brass have definite appeal. The company has come rapidly to the fore in recent years in a field where the opportunities for research and profitable development are practically unlimited. From the stockholders' standpoint this is a feature of prime importance. In the meantime, however, there is the assurance which emanates from a generous dividend adequately supported by earning power.

Well merited credit must be given to Bohn Aluminum for its efforts in developing and perfecting the use of aluminum and aluminum alloys in the manufacture of vital automobile parts. The company pioneered the aluminum piston. Today the Nelson Bohnalite piston is standard equipment for the majority of motor cars, and the company's output embraces a wide variety of non-ferrous metal products. Aluminum bearings and cylinder heads, together with a wide variety of aluminum castings for vacuum cleaners, washing machines, etc., and an extensive line of bronze and brass castings and forgings for plumbing and architectural uses give the company prominent representation in many of the more important fields for which non-ferrous metals, particularly aluminum, are industrially applicable. Of these the automobile industry is Bohn's most important customer.

In the past, earnings have fluctuated rather widely. This, however, is not unusual for a company largely in the development stage and while Bohn will be unlikely to "rest its oars" now that it is established in a fertile field, earnings in the future will probably bear a closer relation to the trend of general business. Last year profits were a conspicuous reversal of 1932 and net applicable to the 352,418 shares of capital stock was equal to $4.24 a share. In the previous year there was a loss of $2.04 a share. Dividends were resumed promptly and two increases brought the present rate to $3 annually. The only obligation ahead of the stock is funded debt of less than $1,500,000.

Last year the company took advantage of low prices to acquire large supplies of metal and at the year-end the substantial inventory item was a feature in its strong financial position. The current year has made an auspicious start for Bohn. The company had the biggest January month since 1928 and throughout the initial quarter all divisions registered substantial gains over 1933. In addition to supplying Ford with cylinder heads, pistons and bearings, the company has contracts with other important automobile manufacturers and if labor troubles do not completely upset the automobile industry, Bohn might easily show earnings of $6 a share this year. On such basis, a higher dividend may be forecast and the shares at recent levels around 63 are conservatively valued.

Humble Oil & Refining Co.

Recent Price	Dividend	Yield
45	$1.00	2.2%

ASSUREDLY the shares of the Humble Oil & Refining Co. are one of the sounder equity investments. The company's record, its prominence, its finances, its resources, and its strong affiliations all justify the high regard in which the shares are held.

Although Humble is represented in all of the principal divisions of the petroleum industry, it is as a producer of crude oil that it has achieved its importance. At the close of last year it had under lease over 5,000,000 acres of land, of which it was stated that 47,234 acres were proven oil land. In fact, the company is regarded as having the largest reserves of any domestic producer, with the single exception of Standard Oil of New Jersey. The latter company, which incidentally owns approximately 70% of the stock, leans heavily upon Humble as a source of supply. Augmenting, but subordinate to, production activities, are refining facilities, an extensive pipe line system and a distributing organization.

Having the benefit of materially higher prices for crude in the last half of last year, the company was able to report a considerable improvement in earnings over 1933. Net operating income totalled nearly $22,000,000, as compared with $15,567,205. This was the best showing since 1929. The company's accounting practices are of the same conservative nature that characterizes the Standard Oil group and, last year, after depreciation, depletion, taxes and interest, the company was able to pay out nearly $6,000,000 in dividends and still show a surplus of practically $15,000,000. Current assets, at the close of the year, amounted

to $61,372,619 and included about $21,000,000 in cash as against current liabilities of something less than $14,500.000.

Late last year stockholders voted to split the stock three-for-one, increasing the outstanding shares thereby to 8,985,666. On the basis of the latter amount, profits in 1933 were equal to $2.32 a share. Following the split-up, dividends were initiated at the rate of $1 annually, or the equivalent of $3 on the old stock which had previously paid $2 yearly. The company has been rather conservative in the matter of dividends in the past and any further increase may possibly be deferred until next year, despite the fact that earnings and finances would support a higher rate.

Although numerous difficulties and obstacles have prevented the industry from formulating a code for all branches which would be uniformly acceptable, efforts are still being directed toward that end and it is not unlikely that some method will be devised to meet satisfactorily the objections which have been raised by various factions. Nevertheless, the industry is, by contrast with the first half of 1933, enjoying a period of relative stability. Present indications promise further improvement in oil company profits and, while bearing in mind the fickleness which the industry has shown in past, with the season of heaviest consumption close at hand, oil stocks should give a good account of themselves marketwise. At 45, the shares of Humble are selling rather high in relation to earnings, a condition, however, which is not unjustified when consideration is given to the strong fundamental background which they have.

Owens-Illinois Glass Co.

Recent Price	Dividend	Yield
88	$3.00	3.4%

FROM every indication, the advent of beer and the subsequent repeal of the 18th Amendment last year will prove an important milestone in the history of Owens-Illinois Glass Co. For a time last summer the company had so much business on its books that it was compelled to sublet orders to other companies, and while it is not to be expected that the demand will be sustained at the initial levels, replacements can be counted upon for sizable contributions to earnings in this and subsequent years.

Owens-Illinois is the country's largest manufacturer of glass containers used principally for food and drugs—and more recently beer and liquors. Included in these groups are various types of containers for drug and cosmetic preparations, soft drink bottles, jars and bottles for food and milk and general purpose containers for ink, paste, polishes, etc. The company also manufactures bottle-making machinery which it leases on a royalty basis. Included in the company's investments are 600,000 shares of National Distillers common stock acquired last year at a price equivalent to $8.25 a share for the present stock. Also, a substantial interest is held in the Container Corp. of America, engaged in the manufacture of paper cartons and boxes.

Last year the company retired all of its funded debt and preferred stock, leaving the entire equity vested in 1,200,000 shares of capital stock. Applied to the stock, net profit of $6,032,312 in 1933 was equivalent to $4.86 a share. In the preceding years, 977,173 shares of common stock earned a profit of $1.62 each. The management was prompt in passing along increased earnings to shareholders and last year quarterly dividends of 50 cents a share were augmented by two extra of 25 cents each. At the beginning of this year the shares were formally placed on a $3 annual basis. As the company appears to be amply supplied with cash, it is not unlikely that the policy of paying extra dividends will be continued in the current year.

Following the legalization of beer, the company received orders for bottles running into the tens of millions. Usually the purchaser of beer in bottles pays a small deposit and returns the bottle which is later refilled. This, however, is not the procedure in the case of wine and other spirituous liquors and the containers are destroyed. It appears, logical, therefore, that the decline this year in the demand for beer bottles will be offset to a large degree by an increased and fairly sustained demand for bottles for other beverages. Also, further improvement in general business may be expected to find reflection in the affairs of Owens-Illinois.

Estimating current results on a conservative basis, the company should experience no difficulty in earning from $5 to $6 on the common stock. Meanwhile, there is a live possibility that the company's large investment in National Distillers common stock will yield a good return. A $2 dividend on the latter would yield the equivalent of $1 a share on Owens-Illinois shares. Granting that the shares at recently prevailing quotations are selling at a liberal ratio to past and prospective earnings, a reasonable premium is justified in return for the rather clearly defined outlook for expanding earnings and larger dividends.

American Rolling Mill Co.

Recent Price	Dividend	Yield
24	None	....

DURING the past twelve months developments in the affairs of American Rolling Mill have been of a nature to inspire well-founded belief in the company's ability to stage a rapid comeback in earning power—given the benefit of gradual business revival. Last year, profitable operations in the second and third quarters reduced the net loss for the year to a figure less than one-third of that suffered in 1932 and, moreover, the company successfully met a $14,000,000 maturity, at a time when conditions were such as to make this a distinct achievement. In the current year operations have expanded to a point where March was the best month since 1929.

Several years ago the company embarked upon a program of plant expansion and modernization for the purpose of accommodating a process for continuous rolling which American Rolling Mill had successfully completed after ten years of development. This necessitated a rather substantial increase in the company's funded debt and the subsequent intervention of a major business depression prevented the management from realizing the high hopes which had been held for the new process. Some measure of its value is gained from the fact that practically all of the major steel manufacturers have been licensed to use it and doubtless it

would have proven an important factor in the company's earning power had it not been for the severe slump which swept over the entire steel industry.

The management was unusually successful in curtailing the cost of operations and it was its ability in this respect which enabled the company to show a loss of more than $1,000,000 less in 1933, despite a drop of $12,613,000 in sales. The loss of $673,000 last year would have been even less were it not for the sharp increase in payrolls following the advent of N R A and labor costs have been further increased with the recent advance of 10% in wages. It is expected, however, that the new price schedules for both light and heavy steel sheets will in effect nullify higher operating costs. As it is, however, the company's showing in the first quarter of this year will be the best in some time. Recent operations have been at 67% of capacity—considerably higher than that of the steel industry as a whole. While there has been considerable forward buying in anticipation of higher prices, the huge public works program sponsored by the Government will be in full swing in the near future and aid materially in sustaining steel activity through what is normally a full period for the industry as a whole.

Ahead of the 1,709,324 shares of common stock is $2,000,000 of 6% preferred stock, on which a year's dividends have accrued, and approximately $40,000,000 of funded debt. Financial position is satisfactory and given the confidence born of sustained activity, the management could liquidate back dividends on the preferred shares without difficulty. The common stock is frankly speculative but it is in an excellent position to show increasing earning power this year, accompanied by further recovery in its value.

May Department Stores

Recent Price	Dividend	Yield
41	$1.60	4.0%

LAST year May Department Stores tripled its earnings. Profits rose from the equivalent of 77 cents a share for the capital stock in 1932 to $2.36 and dividends, which had been continued throughout the depression, were increased from 25 cents to 40 cents quarterly. Last year was one of recovery in the sales and earnings of department stores generally but the showing made by May bettered the average by a considerable margin. While the relative degree of improvement in the current year cannot be expected to be as pronounced, there are, nevertheless, factors in the company's outlook which would seem to be clearly in its favor.

The company operates a system of department stores made up of six units and located in the cities of Akron, Cleveland, Los Angeles, Denver, St. Louis and Baltimore. All of these are large and established stores, modern in every respect and the merchandise handled is of the type to appeal to medium-class buyers. Each of the various stores is under an individual management but they are given the advantages of large-scale purchasing either directly or through co-operation with a New York office. In recent years large expenditures have been made in making additions and improvements and with increased facilities and various special services the company has been able to strengthen the prestige and competitive position of its stores.

The various industrial cities where May stores are located were rather heavily hit by the business depression with the result that earnings dropped sharply from about $4,000,000 in 1931 to less than $950,000 in the fiscal year January 31, 1933. In the latter year, as stated, the company earned only 77 cents a share on its stock as compared with $1.75 and $3.03 in 1932 and 1931, respectively. But with the return of confidence and workers to jobs last year, there came a decided change for the better in the company's sales and earnings. Actually sales increased about $4,000,000 to around $76,500,000. There is, however, room for considerable further improvement as indicated by the fact that sales volume in 1931 was over $101,600,000 and in 1932 sales exceeded $93,000,000. Last year the company was able to show a net profit of 4 cents for each $1 of sales and on this basis, the stock could earn over $3 a share on the same volume of business as in 1932 and around $3.50 with sales on a par with 1931.

There are 1,230,423 shares of stock outstanding; there is no funded debt or preferred stock. Consequently, the company would seem to be in an excellent position to promptly pass along increased earnings to stockholders in the form of a larger dividend. This conclusion is given further support by the company's excellent financial position. Cash alone of over $8,500,000, as of January 31, last, was more than double all current liabilities. All in all the shares would seem to meet satisfactorily the requirements of a more conservative type of equity investment.

United Fruit Co.

Recent Price	Dividend	Yield
70	$2.50*	3.5%

* Including Extras

IN 1932 there was a rather thorough-going revision in the management personnel of the United Fruit Co., which, among other things, placed Samuel Zemurray, formerly of the Cuyamel Fruit Co., in complete charge of operations. Last year the company experienced the best results since 1930. While undoubtedly the improvement in general conditions contributed to make possible this showing, it is understood that the many changes effected under the experienced guidance of Mr. Zemurray were responsible in no small measure for the marked reversal in the company's affairs. Thus it would appear that stewardship of United Fruit is in competent hands—an important consideration at this time when hardly a day passes when new business problems are not confronted. In an organization having the size and scope of United Fruit, the management is a factor of vital importance.

The company is credited with producing 65% of the total world's supply of bananas, which are grown on its own plantations in various countries bordering upon the Caribbean Sea. It likewise ranks as one of the largest producers of sugar in Cuba; operates a fleet of nearly 100 steamships; and has railroad facilities aggregating about 2,300 miles of track. The company operates radio facilities, hotels and provides housing accommodations for its employees in its producing centers. A large volume of freight and passenger business is transported by the company's fleet and it holds a ten-year contract, dating from 1930, to carry

U. S. mail, involving total revenues of $18,000,000.

Considering the fact that the company accounted for only 46,000,000 stems of bananas last year, considerably less than normal, owing to severe tropical storms and floods, the ability to show earnings of $9,241,000 as against $5,707,221 in 1932, may be regarded as a distinct achievement. Higher prices for both sugar and bananas aided in offsetting lower production, as did increased foreign revenues in terms of dollars. With the prospect that current sales of bananas will be substantially larger than last year and augmented by a larger movement of freight and passenger traffic, further expansion in profits is probable. In fact profits for the first quarter were officially estimated at $1,604,000, an increase of nearly $600,000 over the first three months of 1933. There is also a possibility that Cuba will be given an increased tariff preferential for sugar, which, of course, would be helpful to United Fruit.

Applied to the 2,925,000 shares of common stock, outstanding, profits last year were equal to $3.18 a share. In 1932 the stock earned $1.96 a share. At the end of 1933 the company had current assets of nearly $49,000,000 whereas current liabilities were less than $9,000,000 and at the end of March, last, cash and government securities totalled $36,800,000. Obviously, the company could well afford the recent extra dividend of 50 cents a share and it is quite possible that the shares will be placed on a $3 dividend basis later in the year. The company may also elect to retire its debt to the Government amounting to $13,802,375. On the whole, the shares should appeal strongly to the investor to whom fundamental strength rather than spectacular possibilities is desirable.

Commercial Credit Co.

Recent Price	Dividend	Yield
34	$1.00	3.0%

IT IS no exaggeration to say that the earnings of Commercial Credit Co., soared last year. From the level of $142,336 in 1932, profits registered a gain of 1,900% to $2,831,863, and dividends, which were not fully earned on the senior preferred stocks in 1932, were recently resumed on the common shares. This remarkable showing was not the result of unusual circumstances, such as inventory write-ups, but an actual increase in the volume of its business.

Confounding all of the prophets of disaster, as to the inevitable fate of the installment financing companies in a period of business depression and unemployment, the Commercial Credit Co., and other similar organizations, have fared better under the duress of the past several years than many other financial institutions. Proportionately, losses have been practically negligible. The automobile industry is one of the chief sources of installment financing and as late as 1932 Commercial Credit derived as much as 65% of its business from that source. The company, however, has made notable progress in diversifying its activities and is at the present time engaged in financing installment purchases of electric refrigerators, radios, silver and other products. Last year, acquisition of the Textile Banking Co. gave the important position in the textile factoring field.

Reflecting the success of the management in paring operating costs, the company, in the second half of 1933, was able to increase profits nearly 20% over those for the same period of 1931, despite the fact that the actual volume of financing was only 1% greater than in the latter period. From the standpoint of common stockholders, the recent showing was even more significant. Income available for the junior shares rose 75% over 1931, due in part to the substantial reduction in funded debt and preferred stock in the interim. On July 1, next, the company will redeem the entire amount, $2,657,500, of its 5½% notes due 1935, thereby eliminating all of its secured debt. All back dividends on the class A shares were paid off last year, and earlier this year dividends were resumed on the common stock with a quarterly payment of 25 cents.

Last year the common stock earned the equivalent of $1.52 a share and with the company's business continuing to register progressive gains in the current year, profits of from $2.75 to $3 on the common would seem well with the realm of possibilities. Earnings this year should respond to improved general business conditions and with the probability that Chrysler Corp., with which the company has a contract will maintain its strong competitive position in the automobile industry, the shares possess a better-than-average speculative background.

General Mills, Inc.

Recent Price	Dividend	Yield
60	$3.00	5.0%

IN THE fall of 1928, General Mills initiated dividends at the rate of $3 annually on its common stock. This same dividend is being paid today, having been maintained continuously throughout the depression period. What's more, it was earned in each year by a comfortable margin. Judged by any standard, this is a record to which the company may well point with pride and assuredly entitles the shares to a place in a selected group of investment common stocks.

General Mills is in effect a holding company, having been formed for the purpose of uniting in a single group a number of established flour-milling companies. Contrary to frequent experience, this was a boom-time merger that has worked out to advantage. At the present time the organization comprises nineteen flour mills, ten feed mills and two cereal mills, which are strategically located throughout the principal grain producing regions of the country. Perhaps the company's best known brand of flour is "Gold Medal" although, among others, much good will attaches to "Rex," "Amaryllia," "Heliotrope" and "Pride of Perry." In addition, General Mills produces a number of special flours and bakers' flours, as well as a number of specialties for which large sales volume has been developed through the medium of extensive advertising. These include "Wheaties" and "Bisquick."

By conducting hedging operations in the purchase of wheat, the company has been able to avoid any embarrassment resulting from fluctuations in the wheat market. While it cannot protect itself in the same manner with respect to feeds, careful control of production and adequate reserves serve to keep losses negligible. On the whole, it is a business which is characterized by a high degree of stability, with earnings governed for the most part by de-

(Please turn to page 53)

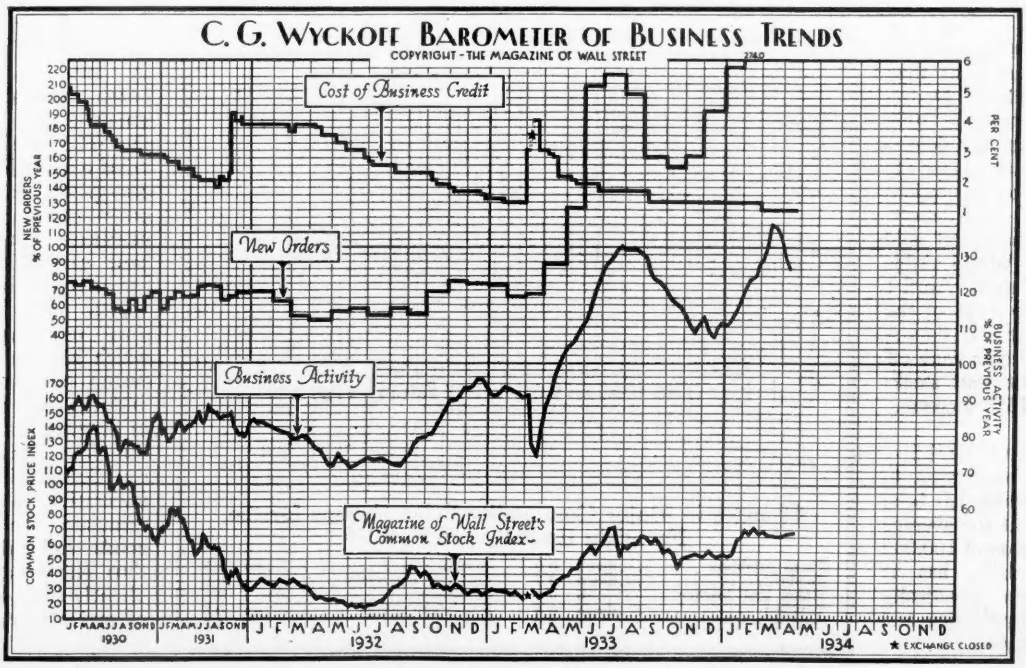
Taking the Pulse of Business

— Steel Operations Advance
— Decline in Copper Stocks
— Improving Oil Outlook
— Shoe Production Lower
— Threat of Foreign Cotton

THE return of President Roosevelt, refreshed from his fishing trip, has been followed by a correspondingly refreshing change for the better in the character of contemplated legislation. In an effort to adjourn by May 15, it now appears that Congress will have to abandon action on such objectionable measures as the thirty-hour bill and the Wagner labor bill, and tone down considerably the proposed law to regulate stock exchanges. There is also a strong probability that the Federal Securities Act of 1933 will be so amended as to revive the market for new securities. At present writing, the fate of silver legislation still hangs in the balance; but the outcome is not of such immediate importance to business as the heated argument over the subject would seem to imply. Monetary measures already adopted have made it possible to more than double the country's deposit currency without materially raising the Cost of Business Credit. The addition of several more billions in silver certificates to member bank reserve balances would not necessarily hasten the advent of inflation; though it would make the inflationary movement, once started, much more difficult to control.

Meanwhile, neither bond prices nor the Common Stock Index have been greatly perturbed by the legislative battle in Washington. Common stock prices, it is true, have failed to respond as they otherwise would to the first quarter's improvement in business conditions; but bond prices have crept steadily upward under the spur of cheap money. Agricultural prices, especially for wheat, have weakened somewhat in disappointment over the outlook for further silver legislation and under pressure of unwieldy world carryovers. Such recessions compare unfavorably with the swift advance last year at this time, and the combined effect of these opposing trends has caused a sharp decline in our index of raw material prices, which expresses current prices of the world's staple commodities in percentages of corresponding prices of the previous year.

Similar comparisons are partly responsible for the recession in our Business Activity index, which compares the current volume of business with conditions obtaining a year ago when swift recovery was in progress. Yet not all of the decline in this index is to be explained by the exceptional gains of a year ago; since, even when expressed in terms of normal, it appears that the physical volume of production, distribution and trade has receded during the past fortnight to 77.5%, from 80.4% which was the highest point yet reached on the recovery. This recent decline in business activity is partly traceable, not to any fundamental weakening in the economic situation, but rather to the almost irrelevant circumstance that the new soft coal code, with its higher wages and prices, went into effect on the first day of April. For weeks prior to that date the mines had been producing at a rate far in advance of current consumption in order to meet the demand of foresighted customers who were accumulating low cost fuel supplies. Immediately costs were increased the output dropped by 40%, which also suffices to account for the recent recession



in car loadings. This decline is currently being reversed.

Some slowing down in business activity is also chargeable to an abrupt drop in retail trade following the great pre-Easter bulge in March which pushed department store dollar sales up to 44% beyond last year's low level and even brought an improvement of 13% in unit sales, the first physical increase since August on a yearly comparison basis. In the natural reaction which has since followed it is estimated that dollar sales during the first half of April receded to 10% beneath last year's volume.

Such recessions are probably mere interludes in the upward surge of business which seems likely to set in after the adjournment of Congress; provided the Securities Act is so amended as to permit release of the present pent up demand for capital goods.

The Trend of Major Industries

STEEL—The steel ingot rate has risen to 52% of capacity under pressure of specifications against orders placed before the higher prices went into effect last week. It is estimated that actual consumption at the present time would keep the country's mills operating at an average rate of around 50%; so that any excess above this would indicate stocking by consumers in anticipation of yet higher prices. Earnings of the larger companies during the first quarter were generally somewhat under the fairly creditable showing made during the fourth quarter of last year and, even at the higher operating rate, profits during the second quarter can scarcely be satisfactory; since most of the shipments will consist of material ordered before recent price advances went into effect. Thus it appears that the ten days' notice of price changes prescribed by the code amounts in practice to a three months' notice.

METALS—Features of the non-ferrous metal markets since our last issue have been the advance of copper to 8½ cents in anticipation of signing of the code which has 9 cents as its ultimate objective; and the weakness of silver under prospects that further aid to that metal may not be voted at the present session of Congress. Other metals have been quiet. World stocks of copper were reduced by 45,000,000 pounds in March, which brings the total decrease since January 1, 1933, to 396,000,000 pounds, or slightly more than 25%. Phelps Dodge, now operating at 20% of capacity for domestic account, plans to step up operations shortly to make deliveries of the metal sold abroad. World visible stocks of tin on April 1 were only 47% of the supply last year, domestic zinc stocks were off 21%; but lead stocks show a 15% increase.

PETROLEUM—Hot oil production in Texas, which has been running at the average rate of around 100,000 barrels daily, has at last been practically stopped by the new and apparently effective legislation in that state. Removal of this disturbing influence should go a long way toward stabilizing the gasoline market which had become almost demoralized by the marketing of products refined from this oil, evading taxes and submitting to no price code. Secretary Ickes has completed his new bill to correct defects in the oil code and will shortly submit it to President Roosevelt for approval. If passed at this session of Congress, the oil situation should be greatly strengthened. Meanwhile production is being held down to an excess of less than 100,000 barrels daily above the new Federal allowable of 2,283,000 barrels.

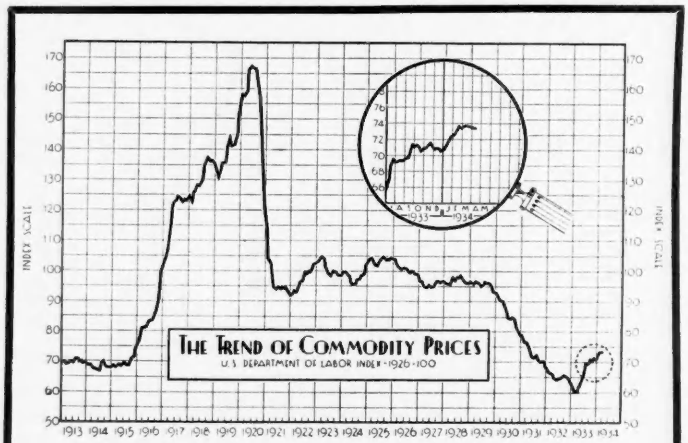
TEXTILES—American mills consumed 15% more cotton in March than in February, and 10% more than in March of last year. Exports ran about 1% of domestic consumption and 14% ahead of March, 1933. World production of cotton during the current season will total about 24,913,000 bales, compared with 23,505,000 last season and 26,535,000 two seasons ago. Foreign growths will total 12,103,000, compared with 10,544,000 last season and 9,658,000 two seasons ago.

SHOES—With the shoe industry having produced the bulk of its Easter needs in February, production in March is believed to have receded to about 28,500,000 pairs, compared with an estimate of 31,000,000 for February, and 28,556,000 in March, 1933. Production for the first quarter is placed at about 4% ahead of the corresponding period a year ago. Hide prices during the past few weeks have been advancing seasonally.

CONTAINERS—Tin can demand from meat and vegetable packers, and from paint and varnish manufacturers, has shown a gratifying improvement so far this year, and the earnings of can makers are gaining steadily.

Conclusion

The prospect that Congress will adjourn soon without enacting some of the more objectionable legislation has given a tone of greater confidence to the stock market; though another unwieldy carryover and lessened hopes for immediate silver inflation have depressed grain prices and brought about a slight recession in farm purchasing power, which now stands at only 63% of the 1926 level. Curtailed operations at soft coal mines, and a sharp post-Easter drop in department store sales, have caused a fairly heavy recession in the volume of business since our last issue, which has been accentuated by comparison with the swift recovery in progress last year at this time. Revision of the Securities Act is imperative now to stimulate the capital goods industries and thus remove a serious obstacle from the path of major economic recovery.

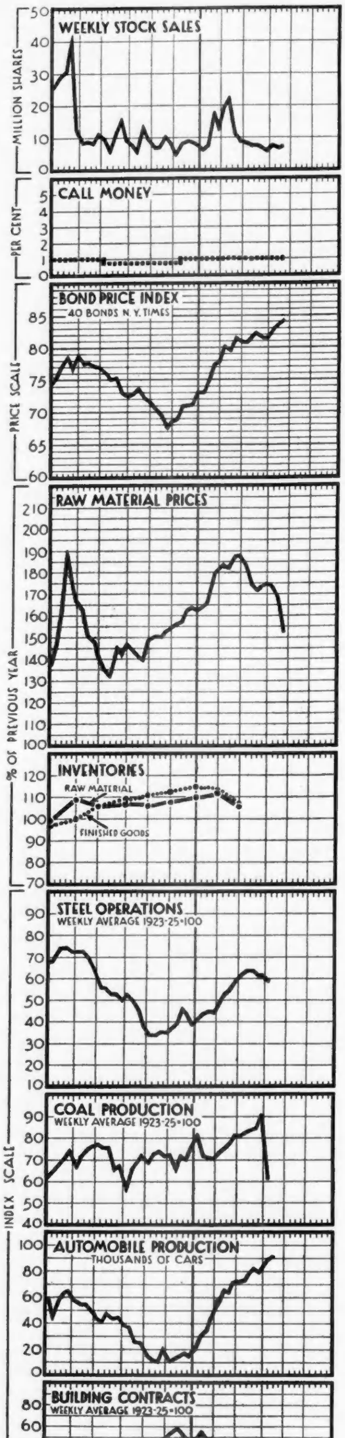


Changes in Major Commodity Price Groups for the Fortnight Ended April 14, 1934

Farm products	down	0.9	Metals	up	0.5
Foods	down	0.7	Building materials	up	0.2
Hides and leather	up	0.4	Chemicals	down	0.4
Textiles	down	0.3	Housefurnishings	up	0.3
Fuel and lighting	up	0.5	Miscellaneous	up	0.6

The Magazine of Wall Street's Indicators

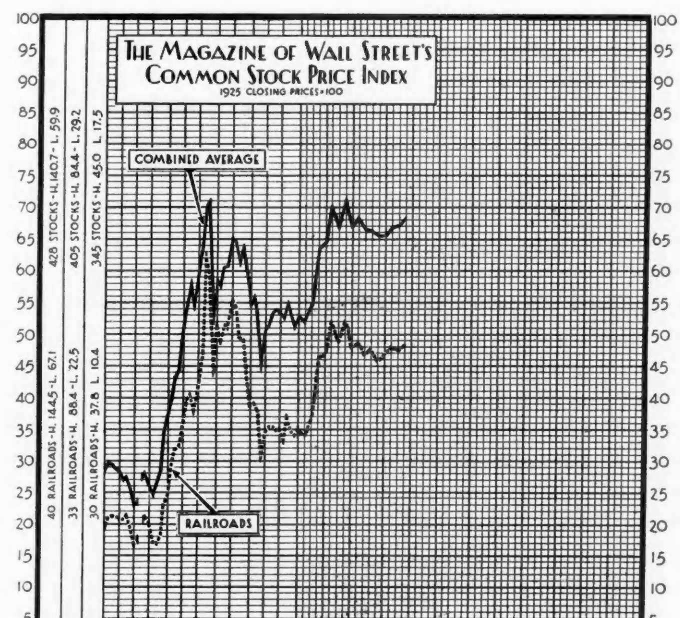
Business Indexes



Common Stock Price Index

1933 Indexes High	Low	Close	Number of Issues	COMBINED AVERAGE (1925 Close—100)	1934 Indexes High	Low	Apr. 7	Apr. 14	Apr. 21
71.3	22.7	52.9	312		71.2	51.8	66.9	67.0	68.2
116.0	26.8	68.6	5	Agricultural Implements	105.7	64.8	87.0	87.9	87.9
37.8	7.3	27.1	5	Amusements	42.3	25.7	39.2	40.8	39.6
50.9	12.4	41.3	14	Automobile Accessories	58.9	39.6	54.6	54.2	57.3
22.7	7.3	18.0	13	Automobiles	24.9	18.0	23.1	23.3	23.1
102.9	41.8	61.6	5	Aviation (1927 Cl.-100)	92.5	61.6	80.3	78.6	80.3
26.5	5.1	12.2	4	Baking (1926 Cl.-100)	17.4	12.0	14.8	15.5	15.3
157.5	79.9	145.6	2	Biscuit	150.0	130.5	140.0	142.5	141.3
357.1	86.8	207.0	3	Bot. & Cks. ('32 Cl.-100)	240.9	198.2	212.8	219.9	233.8
128.8	39.8	107.6	5	Business Machines	136.0	102.0	127.5	130.1	130.7
191.1	92.9	189.1	2	Cans	204.3	184.5	199.3	202.9	204.3
238.2	71.5	193.6	8	Chemicals	210.5	186.3	190.5	190.5	194.5
34.8	11.3	28.0	16	Construction	37.2	27.0	33.2	33.6	34.4
81.0	20.3	54.9	6	Copper	70.1	53.1	66.6	66.5	67.3
47.7	23.0	25.7	2	Dairy Products	34.7	25.7	31.2	31.0	34.7
27.3	6.6	19.6	8	Department Stores	26.8	19.3	24.6	25.3	25.4
89.0	45.3	57.0	9	Drugs & Toilet Articles	84.0	57.0	80.2	81.9	84.2
104.0	35.6	75.4	4	Electric Apparatus	91.3	73.2	81.0	81.7	84.8
104.6	33.2	103.8	2	Finance Companies	178.3	103.8	161.9	176.5	178.3h
75.2	32.6	52.0	5	Food Brands	64.0	51.1	61.4	61.2	63.6
77.5	40.5	58.6	4	Food Stores	71.1	57.2	68.8	68.7	71.1
1365.0	481.2	1180.8	3	Gold Mining	1325.0	1125.0	1283.0	1251.0	1237.0
30.3	10.5	26.0	5	Household Equipment	35.1	25.1	34.2	34.9	35.1h
38.0	14.5	23.1	6	Investment Trusts	31.8	22.2	27.9	27.8	28.4
360.0	85.0	244.6	2	Liquor (1932 Cl.-100)	295.5	232.0	295.5	291.0	283.0
47.4	13.5	39.4	2	Mail Order	53.4	37.7	50.8	50.6	51.7
120.3	21.9	57.2	3	Meat Packing	88.6	57.2	88.1	88.6	84.6
136.4	30.1	132.6	11	Metal Mining & Smelting	160.1	126.6	157.9	157.5	154.3
83.4	29.3	66.0	25	Petroleum	86.8	66.0	83.1	79.8	81.0
30.2	6.7	15.3	3	Phonos & Radio (1927-100)	24.5	15.2	22.3	23.6	24.4
104.0	40.8	49.0	20	Public Utilities	72.8	47.2	63.4	64.5	65.7
69.4	17.7	53.4	8	Railroad Equipment	66.2	51.8	62.3	61.8	62.8
63.0	16.3	34.5	30	Railroads	52.0	34.0	48.1	47.3	48.3
44.3	6.2	30.0	3	Shipbuilding	50.2	29.4	47.8	47.9	47.7
148.6	57.8	126.7	2	Soft Drinks (1926 Cl.-100)	150.3	123.0	141.6	144.1	150.3h
69.1	19.1	51.8	11	Steel & Iron	77.0	51.6	66.4	66.1	67.2
29.5	7.3	21.3	5	Sugar	30.8	20.5	27.5	27.4	26.8
216.5	79.3	200.8	2	Sulphur	214.0	185.8	197.5	192.4	196.2
82.3	28.1	61.4	3	Telephone & Telegraph	70.3	61.4	64.6	64.3	64.6
82.2	22.5	49.1	8	Textiles	65.8	48.8	61.3	62.0	62.6
15.1	3.0	11.0	5	Tires & Rubber	14.6	10.4	13.3	13.3	14.0
90.2	46.2	69.4	4	Tobacco	77.6	66.5	73.0	73.7	76.2
57.2	22.3	57.2	3	Traction	57.2	46.0	47.5	48.3	56.4
52.9	23.3	43.6	3	Variety Stores	117.1	43.6	94.0	94.8	103.5

h—New HIGH since 1931.



(An unweighted index of weekly closing prices; compensated for stock dividends, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

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CONTINENTAL INSURANCE CO.

Would you buy Continental Insurance at today's prices? I have been advised to buy its stock as offering the advantages of an investment trust, plus earnings from insurance. I will be guided by your opinion as it has proven profitable in the past.—R. W. S., New York, N. Y.

Fire insurance companies, as a class, were particularly hard hit by the collapse of equity values which took place in the latter part of 1929 and continued almost without interruption for more than three years. The Continental Insurance Co. is no exception to this rule, since it had and still has a large percentage of its holdings in common stocks. Not only did investment income drop sharply during the depression, but underwriting profits also tended downward in reflection of declining real estate values. Fire losses last year, however, are understood to have been the lowest in many years so that profits from underwritings offset lower investment income and enabled the company to report earnings equivalent to approximately $3 a share against $2.15 a share for 1932. With an enviable record of underwriting operations for more than fifty years, there is little question but that Continental will experience further increased income from this source which should later be supplemented by higher investment income. Thus, the company would appear to have most of the advantages of the better managed investment trusts as well as a constant source of fresh capital in the form of underwriting premiums. While the stock is somewhat speculative because of the fact that its liquidating value closely corresponds to general market movements, we feel that the improved outlook for the stock market, generally, fully justifies a commitment in the capital stock around prevailing reasonable quotations.

BROWN SHOE CO.

I bought 100 shares of Brown Shoe on margin last year at 37⅛. I am considering buying this stock outright as an investment, but first I will appreciate your views on its earnings and dividend prospects, and its outlook marketwise.—P. P. H., Boston, Mass.

As the third largest producer in the United States, the Brown Shoe Co. participated fully in the generally improved demand for shoes last year. During the 6 months ended October 31, 1933, the company is understood to have produced 7,953,866 pairs, which was a new record for the period. In addition to increased unit sales, rising prices permitted the company to report for the fiscal year ended October 31, 1933, a net income of $1,436,844, equivalent to $4.89 a share on the common stock, after allowing for dividend requirements on the preferred. This compared with $1,061,299, or $3.35 a common share in the previous fiscal year. Although dollar sales during the latest period were lower than in either the fiscal years 1930 and 1931, and materially less than during the years including and immediately preceding 1929, increased operating efficiency permitted profits comparable to those obtained in pre-depression years. Total current assets of $13,640,049 as of October 31, last, were approximately 9 times total current liabilities, while net working capital showed an increase of $632,936. Although the industry's N R A code has undoubtedly raised costs moderately, this should be more than offset by higher shoe prices. While further earnings gains may be more gradual, Brown Shoe Co.'s excellent record and promising outlook suggests the advisability of retaining your holdings both for income and moderate price enhancement.

B. F. GOODRICH CO.

As a new subscriber, I will appreciate your views on B. F. Goodrich Co. I am at a loss to fathom the slow recovery of this company's common stock as compared with most industrials. I have 150 shares bought last year at 18, and am now wondering if I made an error in judgment.—G. F., Brooklyn, N. Y.

Producing a broad line of rubber specialties and tires, B. F. Goodrich Co.

(*(Please turn to page 45)*

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New York Stock Exchange

Rails

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 4/18/34	Div'd $ Per Share
A								
Atchison	94	17⅞	80⅛	34⅝	73¾	54	69	..
Atlantic Coast Line	44	9¾	59	16½	54¼	39	48⅛	..
B								
Baltimore & Ohio	21⅜	3¾	37⅞	8¼	34½	22¼	29¼	..
Bangor & Aroostook	35¾	9½	41¾	20	46⅛	39½	44½	2½
Brooklyn-Manhattan Transit	50¼	11⅛	41¼	21¾	36¼	28¼	33⅝	..
C								
Canadian Pacific	20⅝	7¼	20⅞	7½	18¼	12¾	16⅝	..
Chesapeake & Ohio	31½	9¾	49¼	24⅝	47⅞	39½	47⅜	2.80
C. M. & St. Paul & Pacific	4½	¾	11¾	1	8½	4¼	6⅝	..
Chicago & Northwestern	14½	2	16	1¼	15	6⅝	13⅛	..
Chicago, Rock Is. & Pacific	16⅜	1½	10⅛	2	6¼	2¾	4¾	..
D								
Delaware & Hudson	92½	32	93¾	37⅝	73½	53	65½	..
Delaware, Lack. & Western	45⅞	8½	46	17¼	33¾	22½	28½	..
E								
Erie R. R.	11¾	2	25¾	3¾	24⅞	13⅞	23	..
G								
Great Northern Pfd.	25	5½	33¾	4⅝	32½	18⅝	29	..
H								
Hudson & Manhattan	30¾	8	19	6½	12⅛	7½	8⅞	..
I								
Illinois Central	24⅞	4¾	50¾	8½	38⅞	28½	32¾	..
Interborough Rapid Transit	14⅝	2¼	13¾	4⅛	13¾	7⅞	9¾	..
K								
Kansas City Southern	15¼	2¼	24⅞	6½	19¼	11	16	..
L								
Lehigh Valley	29¼	5	27¾	8⅝	21¼	13	18¾	..
Louisville & Nashville	38¼	7½	67½	21¼	61⅛	48¼	60⅞	1½
M								
Mo., Kansas & Texas	13	1¼	17⅛	5¾	14⅞	8	12½	..
Missouri Pacific	11	1½	10¼	1⅛	6	3	4⅝	..
N								
New York Central	36⅝	8¾	58½	14	45¼	31½	35½	..
N. Y., Chic. & St. Louis	9¾	1½	27⅝	2⅛	25¾	15	23	..
N. Y., N. H. & Hartford	31⅝	6	34⅞	11⅛	24⅛	14¼	19	..
N. Y., Ontario & Western	15¾	3⅝	15	7½	11⅝	8	9¾	..
Norfolk & Western	135	57	177	111½	181	161	181	*10
Northern Pacific	25⅜	5½	34⅞	9⅝	35¾	21⅛	35¼	..
P								
Pennsylvania	23⅜	6½	42¼	13¾	39⅛	29¼	35⅜	.50
Pere Marquette	18	1¾	37	3⅞	33	16½	29¾	..
R								
Reading	52¼	9½	62½	23½	56⅜	43	51⅜	1
S								
St. Louis-San Fran.	6⅝	⅝	9	⅞	4⅝	2⅜	4	..
Southern Pacific	37⅝	6½	38¾	11⅛	33¾	18½	28⅝	..
Southern Railway	18½	2½	36	4⅛	36½	23¾	32⅝	..
U								
Union Pacific	94½	27⅝	132	61¼	133⅞	110½	132	6
W								
Western Maryland	11⅜	1½	16	4	17¼	8¾	15⅝	..
Western Pacific	4¾	½	9½	1	8½	2¾	6½	..

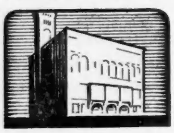
Industrials and Miscellaneous

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 4/18/34	Div'd $ Per Share
A								
Adams Express	9½	1⅝	13¼	3	11⅞	6⅝	9¾	..
Air Reduction, Inc	63½	30⅞	112	47½	106¼	93¾	100	3
Alaska Juneau	16⅝	7¾	33	11⅛	23⅞	19¼	21¼	*.90
Alleghany Corp	3⅝	⅜	8¼	⅞	5¼	2¾	3⅛	..
Allied Chemical & Dye	88¼	42½	152	70¾	160¾	144	152¼	6
Allis Chalmers Mfg	15⅜	4	26¾	6	23⅜	16½	20	..
Amer. Brake Shoe & Fdy	17⅞	6½	42½	9⅛	38	28	32	.80
American Can	73⅞	29⅝	100½	49½	107¾	94⅛	104¼	4
Amer. Car & Fdy	17	3⅛	39¾	6⅛	33⅞	23¼	28⅛	..
Amer. Com'l Alcohol	27	11	89⅞	13	62½	47	50¾	..
American & Foreign Power	15	2	19⅝	3⅞	13¾	7¾	10⅛	..
Amer. International Corp	12	2½	15⅛	4¼	11	6½	8⅝	..
Amer. Mach. & Fdry	22¼	7½	22⅜	8¾	19¾	13	17⅝	.80
Amer. Power & Light	17¼	3	19⅞	4	12¼	5⅞	8¾	..
Amer. Radiator & S. S.	12¼	3⅛	19	4⅝	17⅝	13¾	15⅞	..
Amer. Rolling Mill	18½	3	31⅞	5¾	28¼	17½	24¼	..
Amer. Smelting & Refining	27¼	5⅛	58½	10¾	51¼	40¼	43¼	..
Amer. Steel Foundries	15⅛	3	27	4⅝	26½	19	20¾	..
Amer. Sugar Refining	39¼	13	74	21½	61	46	52⅛	2
Amer. Tel. & Tel.	137⅜	70¼	134¾	86½	125¼	107¾	123¼	9
Amer. Tobacco Com	86¾	40½	90½	49	82⅜	65¼	72	5
Amer. Tob. B	89¾	44	94¾	50¾	84½	67	74⅜	5
Amer. Water Works & Elec	34½	11	43¼	10⅞	27⅝	16¾	20¾	1
Amer. Woolen	10	1⅝	17	3½	17⅛	11⅜	15	..
do Pfd.	39⅞	15½	67½	22⅝	83¾	61⅝	77⅝	1¼
Anaconda Copper Mining	19⅜	3	22⅞	5	17¾	13½	16½	..
Armour Ill. A	2¾	⅝	7¾	1⅛	8	4¼	7⅜	..
do B	2	⅜	5	¾	3⅞	2¼	3⅝	..
Atlantic Refining	21⅞	8⅝	32½	12⅜	35¼	28¼	29½	1
Auburn Auto	151¾	28¾	84¼	31	57⅜	47¼	49⅛	2
Aviation Corp. Del.	8⅞	1½	16⅜	5½	10¾	5⅜	8⅞	..
B								
Baldwin Loco. Works	12	2	17⅝	3½	16	11	14⅜	..
Barnsdall Corp.	7	3⅜	11	3	10	7⅝	9¼	..
Beatrice Creamery	43½	10½	27	7	18	10⅜	15¼	..
Beech-Nut Packing	45¾	29¼	70½	45	66	58	66	3

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 4/18/34	Div'd $ Per Share
B								
Bendix Aviation	18¾	4½	21¼	6⅛	23⅞	16⅛	18¾	..
Best & Co.	24⅞	5¾	33⅛	9	34¼	26½	33½	¼
Bethlehem Steel Corp	29⅝	7¼	49¼	10⅛	49½	34¾	43	..
Bohn Aluminum	22¼	4⅞	58½	9½	68¾	55	63	3
Borden Company	43⅛	20	37⅜	18	27½	19⅞	23¾	1.60
Borg Warner	14¼	3⅜	22¼	5½	28⅝	20¾	25½	1
Briggs Mfg.	11¾	2⅞	14⅝	2⅝	18⅛	12	16½	½
Burroughs Adding Machine	13¼	6¼	20⅞	6⅛	19⅜	14¾	15¾	.40
Byers & Co. (A. M.)	24⅝	7	43¼	8½	32¾	21⅞	28	..
C								
Canada Dry Ginger Ale	15	6	41¼	7½	29⅛	24¼	27	1
Case, J. L.	65¾	16¾	103½	30½	86¾	65⅛	69¼	..
Caterpillar Tractor	15	4⅜	29¾	5½	32⅞	23½	32¼	½
Celanese Corp	12⅝	1¼	58⅞	4½	44⅞	33⅞	36¾	..
Cerro de Pasco Copper	15½	3½	44¾	5⅞	40¼	31¼	36½	½
Chesapeake Corp	20¾	4⅞	52½	14⅞	48⅝	34	47¼	2½
Chrysler Corp	21¾	5	57⅝	7¾	60⅜	49⅛	53⅝	1
Coca-Cola Co	120	68½	105	73½	119½	95¼	119½	6
Colgate-Palmolive-Peet	31½	10¼	22⅜	7	18⅛	9⅜	17⅞	..
Columbian Carbon	41⅞	13½	71¼	23⅛	72⅛	58	72⅛	2¼
Colum. Gas & Elec	21	4¼	28⅛	9	19¼	11⅛	15¾	§.50
Commercial Credit	11	3⅞	19¼	4	34⅛	18⅝	34¼	1
Comm. Inv. Trust	27⅞	10⅞	43½	18	59¾	35¾	58⅞	2
Commercial Solvents	13¾	3½	57¼	9	36¾	26	29⅛	.60
Commonwealth & Southern	5⅛	1⅝	6⅛	1¼	3¾	1¾	2¾	..
Congoleum-Nairn	12¼	6½	27⅝	7⅜	31¼	23	28¾	1.30
Consolidated Gas of N. Y.	68¾	31½	64⅛	34	47⅜	35⅝	38	3
Consol. Oil	9	4	15¾	5	14¼	9¾	12¾	.28
Continental Baking Cl. A	8	2⅞	18¼	3	14⅝	7	11⅞	..
Continental Can, Inc.	41	17⅝	78⅜	35¼	82⅝	75	82⅝	3
Continental Insurance	25¼	6¾	36½	10½	34⅞	23⅜	33⅛	1.20
Continental Oil	9⅜	3⅝	19⅝	4⅞	21⅜	16½	21⅞	¼
Corn Products Refining	55⅜	24¾	90⅝	45⅜	84½	69¼	77¼	3
Crown Cork & Seal	23⅞	7⅞	65	14¼	36¼	28½	30¾	..
Cudahy Packing	35½	20	59½	20¾	50¾	37	48	2½
Curtis Wright, Common	3¼	⅞	4⅜	1½	5¼	2½	4⅛	..
D								
Diamond Match	19⅛	12	29½	17½	28½	23	24⅛	1
Dome Mines	12⅞	7½	39½	12	40⅞	32	38½	*1½
Dominion Stores	18½	11¼	26⅜	10½	23	19	22	1.20
Douglas Aircraft	18⅝	5	18¼	10¼	28½	14¼	24	..
Du Pont de Nemours	59¾	22	96⅜	32⅛	103⅞	90⅝	96¾	2
E								
Eastman Kodak Co	87⅞	35¼	89¾	46	93¾	79	93	3
Electric Auto Lite	32¾	8½	27½	10	31⅜	18⅛	27½	..
Elec. Power & Light	16	2¾	15⅜	3⅛	9⅝	4½	7⅜	..
Electric Storage Battery	33¼	12⅝	54	21	52	44	45¼	2
Endicott-Johnson Corp	37¼	16	62⅞	26	63	51⅜	56	3
F								
Firestone Tire & Rubber	18⅞	10½	31½	9⅛	25¼	18	22⅜	.40
First National Stores	54½	35	70¾	43	65½	54¼	65¾	2½
Fox Film, Cl. A	5⅞	1	19	12	17⅜	12¼	16⅜	..
Freeport Texas Co	28⅝	10	49⅜	16⅛	50⅜	40¾	45⅝	2
G								
General Amer. Transpt	35¾	9½	43¼	13¾	43⅝	33⅛	41⅝	1
General Asphalt	15½	4¾	27	4⅝	21¾	15⅛	19½	..
General Baking	19⅝	10½	20⅞	10½	14⅜	11	11¼	1
General Electric	26⅛	8½	30¼	10½	25¼	18½	22⅞	.60
General Foods	40½	19⅝	39⅞	21	36⅞	32⅝	34⅜	1.80
General Mills	48½	28	71	35½	64½	53⅞	59⅛	3
General Motors Corp	24⅝	7⅝	35¾	10	42	33½	38⅝	1
General Railway Signal	28⅝	6⅛	49½	13¼	45¾	33	42¾	1
General Refactories	15⅜	1¾	19¾	2½	23⅜	10⅛	20⅛	..
Gillette Safety Razor	24¼	10⅜	20¼	7⅝	12½	8½	11¾	1
Gold Dust Corp	20⅝	8¼	27⅜	12	22⅝	16¾	21⅞	1.20
Goodrich Co. (B. F.)	12⅜	2¼	21½	3	18	12⅝	16⅝	..
Goodyear Tire & Rubber	29¾	5½	47½	9¼	41⅜	33⅝	36	..
Great Western Sugar	12	3¼	41⅞	7	34⅞	25⅞	30	2.40
H								
Hershey Chocolate	83	43½	72	35⅛	59	48½	59	3
Houston Oil of Texas (New)	5⅜	1⅝	7⅜	1⅞	5½	3½	5	..
Hudson Motor Car	11¾	2⅞	16⅜	3	24½	13⅜	20½	..
Hupp Motor Car	5⅜	1½	7¾	1⅝	7¼	4	5	..
I								
Ingersoll-Rand	44⅞	14¾	78	19⅛	73¾	59½	65⅝	1½
Inter. Business Machines	117	52½	153¼	75¾	149¼	132	145	6
Inter. Cement	18¾	3⅝	40	6⅛	37¾	28½	30	..
Inter. Harvester	34⅛	10⅜	46	13⅝	46⅞	37⅝	41½	.60
Inter. Nickel	12½	3½	23¼	6¾	28½	21	28	.10
International Shoe	44⅜	20¼	56⅜	24⅜	50⅜	43	45½	2
Inter. Tel. & Tel.	15¾	2⅝	21¾	5⅛	17¾	13½	15	..
J								
Johns-Manville	33⅜	10	63½	12¼	66⅜	52⅛	57	..
K								
Kelvinator	10⅜	2¾	15⅝	3⅛	21¼	11⅞	19⅜	.50
Kennecott Copper	19¼	4⅞	26	7⅜	23	17¾	21⅞	..
Kresge (S. S.)	19	6⅝	16⅞	5½	22¾	13⅜	21	.80
Kroger Grocery & Baking	18⅞	10	35⅝	14½	32⅞	23¼	32½	*1½
L								
Lambert Co	56¾	25	41⅛	19⅜	31⅜	22¼	27¼	3
Lehman Corp	51⅞	30½	79⅜	37½	78	65⅛	73⅛	2.40
Libbey-Owens-Ford	9⅜	3¾	37⅜	4¾	43⅞	34¼	37½	1.20
Liggett & Myers Tob. B	67¼	34⅛	99⅜	49¼	96½	74½	96½	*5
Liquid Carbonic	22	9	50	10¼	33⅜	26½	30½	*1¼
Loew's, Inc.	37¾	13¼	36½	8½	35⅛	25¾	34¾	1
Loose Wiles Biscuit	36⅜	16½	44¾	19¼	44¾	38½	42	2
Lorillard	18⅜	9	25¼	10⅜	19½	15¾	18½	1.20



New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Last Sale	Div'd $ Per
M	High	Low	High	Low	High	Low	4/18/34	Share
Mack Truck, Inc.	28¾	10	46⅜	13½	41¾	30¾	33⅜	1
Macy (R. H.)	60½	17	65¾	24¼	62⅛	47¾	49	2
Marine Midland	14⅜	6½	11½	5	9	5¾	8⅛	.40
Mathieson Alkali	20⅞	9	46⅝	14	40¾	32¼	36	1½
May Dept. Stores	20	9½	33	9¾	43	30	43	1.60
McIntyre, Porc M	21⅝	13	48⅜	18	50¼	38½	48½	*1¼
McKeesport Tin Plate	62¼	28	95¾	44⅛	94¼	83⅛	91	4
Mont. Ward & Co.	16½	3½	28⅞	8⅝	35⅝	21¼	31½	..
N								
Nash Motor Co	19¾	8	27	11⅛	32¼	23	24½	..
National Biscuit	46⅞	20¼	60⅝	31½	49½	39⅞	43⅞	2.80
National Cash Register A	18¾	6¼	23⅝	5⅛	23⅝	16½	19½	..
National Dairy Prod	31⅜	14⅜	25¾	10½	17½	13	16⅝	1.20
National Distillers	27¼	13	35¼	20⅞	31⅝	23¼	31	..
National Power & Light	20⅜	6⅝	20½	6⅞	15½	8½	11⅝	.80
National Steel	33⅞	13½	55⅛	15	58¼	45	48⅜	1
North Amer. Aviation	6⅝	1¼	9	4	8¾	4⅛	6⅛	..
North American Co	43¼	13¾	36½	12½	25¼	13⅜	19¼	.50
O								
Ohio Oil	11	5	17⅝	4¾	15⅞	12⅝	13¼	..
Otis Elevator	22½	9	25¼	10⅛	19⅜	14¾	15⅝	.60
Otis Steel	9¼	1¼	9¼	½	8	4⅛	6¼	..
Owens Ill. Glass	42¼	12	96¾	31½	94	78¼	87½	3
P								
Pacific Gas & Electric	37	16⅞	31⅞	15	23½	15½	19⅝	1½
Pacific Lighting	47½	20¾	43⅜	22	37	23½	35¾	3
Packard Motor Car	5¼	1½	6⅞	1¾	6⅞	3⅞	5½	..
Paramount Publix	11½	1½	2½	⅛	5⅞	1¾	5⅜	..
Penney (J. C.)	34½	13	56	19¼	67⅞	51½	67	*2.20
Peoples Gas—Chicago	121	39	78	25	43⅞	27	38½	..
Phelps Dodge Corp	11⅝	3⅞	18⅞	4½	18¾	14⅝	17⅜	.25
Phillips Petroleum	8⅛	2	18¾	4¾	20¾	15⅛	20⅝	.50
Procter & Gamble	42¾	19⅞	47½	19⅝	41¼	34	35½	1½
Public Service of N. J.	60	28	57⅛	32⅝	45	34	38¼	2.80
Pullman, Inc.	28	10½	58⅛	18	59⅜	50¼	58	3
Pure Oil	6½	2⅞	15⅜	2½	14⅞	10⅛	12½	..
Purity Bakeries	15⅞	4⅜	25⅜	5⅞	19¾	12¼	16⅜	1
R								
Radio Corp. of America	13½	2½	12¼	3	9⅛	6½	8⅝	..
Radio-Keith-Orpheum	7¾	1½	5¾	1	4¼	2¼	3⅝	..
Remington-Rand	7½	1	11¼	2½	13⅜	6⅜	12⅜	..
Republic Steel	13⅞	1⅞	23	4	25¾	16	22⅛	..
Reynolds (R. J.) Tob. Cl. B	40¼	26½	54¼	26½	45½	39¾	45	3
S								
Safeway Stores	59¼	30⅛	62⅜	28	56	44	55	3
Sears, Roebuck & Co	37¾	9⅞	47	12½	51¼	40½	50	..
Seaboard Oil—Del	20⅜	6⅝	43⅜	15	38⅜	25⅜	36¾	*70
Servel, Inc.	5⅜	1½	7½	1½	8¼	4¾	8	..
Shattuck (F. G)	12¾	5	13¼	5¾	13⅞	6¾	11⅜	.24
Shell Union Oil	8¾	2½	11⅝	4	11½	7⅞	9⅝	..
Simmons Co	13⅜	2¾	31	4⅜	24⅛	17	21	..
Socony-Vacuum Corp	12¼	5¼	17	6	19⅞	15⅛	16⅝	.15
So. Cal. Edison	32¾	15¾	28	14⅛	22⅛	15¼	19⅞	2
Standard Brands	17⅞	8⅜	37⅝	13¾	25¼	20⅜	21⅞	1
Standard Gas & Elec. Co	34¼	7⅝	22½	5⅛	17	6⅝	12⅞	..
Standard Oil of Calif	31⅞	15⅛	45	19½	42⅞	35¼	37⅛	1
Standard Oil of N. J.	37⅜	19⅞	47½	22¾	50⅛	44⅛	45¾	1
Sterling Products	....	....	63	45¾	60¼	47¼	60	3.80
Stewart-Warner	8½	1⅞	11½	2½	10⅝	6¼	8¾	..
Stone & Webster	17⅜	4⅝	19¼	5½	13¼	6	9½	..
Studebaker Corp.	13¾	2½	8⅜	1½	9¼	4⅜	7	..
T								
Texas Corp	18¼	9¼	30⅛	10¾	29⅜	23⅛	26¾	1
Texas Gulf Sulphur	26¾	12	45¼	15¼	43¼	34½	36⅝	2
Tide Water Assoc. Oil	5⅝	2	11¾	3⅛	13½	8½	13½	..
Timken Roller Bearing	23	7¾	35½	13¾	41	29⅛	34¾	.60
Transamerica Corp	7⅛	2⅛	9⅜	2⅝	8½	6½	6⅞	12½
Tri-Continental Corp	5½	1½	8¾	2¾	6¾	4⅜	5⅛	..
U								
Underwood-Elliott-Fisher	24⅜	7⅜	39½	9¼	51½	36	45	1
Union Carbide & Carbon	36⅜	15½	51⅞	19¾	50⅞	41½	45¼	1
Union Oil of Cal	15⅜	8	23⅜	8½	20½	15⅞	17⅝	1
United Aircraft & Trans	34⅜	6½	46⅞	16½	37⅜	17⅝	23¾	..
United Carbon	18	6⅝	38	10¼	40¾	35	40¼	1.72
United Corp	14	3½	14½	4	8⅞	4½	6¼	..
United Corp. Pfd.	39⅜	20	40⅞	22⅛	37⅞	24¾	34	3
United Fruit	32⅜	10¼	68	23¼	74	59	73¾	*2½
United Gas Imp	22	9¼	25	13⅞	20⅛	14¼	16½	1.20
U. S. Industrial Alcohol	36¼	13¼	94	13½	64¾	50	53½	..
U. S. Pipe & Fdy	18⅛	7¼	22⅛	6⅛	33	18	28¾	.50
U. S. Realty	11¾	2	14½	2½	12¾	7¾	9¾	..
U. S. Rubber	10¼	1¼	25	2⅞	22½	14¾	22⅜	..
U. S. Smelting, Ref. & Mining	22¾	10	105⅝	13½	135½	96⅝	126¾	*5½
U. S. Steel Corp	52⅝	21¼	67½	23⅜	59⅞	46	51⅞	..
U. S. Steel Pfd	113	51½	105½	53	99½	88	96⅛	2
Util. Power & Lt. A	10⅜	1½	8⅞	1⅞	5⅜	2⅝	4	..
V								
Vanadium Corp	23¾	5¼	36¼	7⅝	31¾	21	27½	..
W								
Warner Brothers Pictures	4½	½	9⅛	1	8¼	4⅞	7⅝	..
Western Union Tel	50	12⅜	77¼	17¼	66⅞	51½	56	..
Westinghouse Air Brake	18⅛	9¼	35⅝	11¾	36	26¾	31⅝	1
Westinghouse Elec. & Mfg	43½	15⅝	58¾	19⅜	47¼	35¾	39¾	..
White Motor	27¼	6⅞	26½	15⅛	28½	16⅝	23¼	..
Woolworth Co. (F. W.)	45⅝	22	50⅞	25⅛	54½	41¼	54½	2.40
Worthington Pump & Mach	24	5	39⅞	8	31⅞	21	26	..
Wrigley (W. Jr.)	57	25¼	57¼	34½	62¼	54½	62¼	*3½

§ Payable in stock. * Including extra.

Answers to Inquiries

(*Continued from page 40*)

benefited substantially last year, not only from increased sales, but as a result of an improved price structure. While 1933 net income included $2,374,937 profit on bonds purchased at a discount, there was a similar profit of $2,500,957 in 1932. Moreover, costs were increased during the closing months of last year due to the N R A, so that the net income of $1,528,652 against the deficit of $5,721,033 for 1932 is most encouraging. These net income figures do not include profit or loss on foreign exchange, which last year increased net income $743,862, reflecting the devaluation of the dollar. After allowing for fluctuation in foreign exchange, last year's earnings were equivalent to 18 cents a share on the common stock. Despite heavy losses in recent years and a constant reduction in funded debt through open market purchases, the company has maintained a strong financial status. Total current assets as of the year-end stood at $53,022,766, including cash and marketable securities alone of $12,091,364, against current liabilities of $8,330,854. Aggressive research activities are constantly improving manufacturing methods, in addition to developing new uses for its products. While extreme competitive conditions in the industry have not as yet permitted price advances commensurate with increased costs of labor and raw materials, it is probable that as the N R A code becomes more effective, improvement along this line will be noted. Thus, with the outlook for tire sales promising, profits should be further enlarged during the current year. We can see no reason, therefore, to disturb your position in the common stock and counsel its retention as a price speculation.

AMERICAN METAL CO., LTD.

I had thought American Metal Co. would do better with its refinancing problem settled. I am wondering if this has been offset by the waning of inflation talk? Also, advise me if you recommend holding or selling 100 shares bought at 23¼.—C. M. H., New York, N. Y.

Since the principal metals produced from the mines owned by American Metal Co. are lead and zinc, it has not received much direct benefit from the increased prices for gold and silver, although it does mine some of these metals. However, as the company also is engaged in smelting and refining operations, the stimulation to gold and silver output is a favorable development. The recent gradual improvement in the quotations for copper is of significance in view of the 36% interest owned in Roan Antelope Copper Mines and the large indirect interest in Mufulira Copper Mines, important South African copper properties. Because of the profits from the sale of securities and the up-turn in earnings last year, it was necessary to borrow only $10,000,000 from American banks to pay off on April 1, the balance of maturing 5½% Notes which a year ago were outstanding to the extent of $15,976,000. Report for 1933 showed net profit of $103,217 after all charges, equal to $1.55 a share on 66,670 shares of $6 preferred stock, in contrast with a net loss of $2,256,630 in 1932. A profit of $650,130 on sale of securities was credited to contingent reserves, whereas in the previous year the loss of $395,873 was taken into income account. Current assets as of December 31, last, including $9,783,248 cash, were $25,924,324 and current liabilities were $19,387,415, including $15,261,000 of 5½% Notes now matured and refinanced as stated above. American Metal ranks as one of the leaders in the mining and smelting industry

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, April 9	83.96	103.54	49.00	92.10	91.48	850,105
Tuesday, April 10	83.15	105.05	49.81	93.22	92.00	1,405,872
Wednesday, April 11	83.34	105.16	50.28	94.01	92.88	1,553,330
Thursday, April 12	83.44	104.80	49.96	93.65	92.48	1,332,000
Friday, April 13	83.45	104.98	49.95	93.25	92.37	1,183,320
Saturday, April 14	83.50	105.04	49.57	92.89	92.48	501,160
Monday, April 16	83.26	103.57	49.03	92.81	91.07	1,290,780
Tuesday, April 17	83.46	104.46	49.31	92.37	91.28	944,975
Wednesday, April 18	83.82	105.45	49.93	93.59	92.32	1,540,420
Thursday, April 19	84.02	105.52	50.35	93.55	92.21	1,326,120
Friday, April 20	84.24	106.55	51.01	94.44	92.74	1,886,740
Saturday, April 21	84.16	106.34	50.68	94.19	93.64	902,720

and, with its international investments, is well situated to benefit from rising metal prices and the increased demand for its products and services. Accordingly, further retention of your shares is advised.

HERCULES POWDER CO.

I am not anxious to sell my 100 shares of Hercules Powder common bought last year on your recommendation, and on which I now have a handsome profit, but I wonder if it does not now anticipate a great deal of its future improvement? Shall I continue to hold?—R. L. W., Minneapolis, Minn.

Producing a broad line of explosives, as well as nitrocellulose, chemical cotton, naval stores and specialty chemicals, the Hercules Powder Co. was quick to respond to generally improved industrial conditions throughout the country. Thus, the report for 1933 revealed net income of $2,363,055, equivalent, after allowing for dividends on the 7% preferred stock, to $2.79 a share on the common, in marked contrast with the $889,763, or 24 cents a common share for 1932. Improvement in the textile industry greatly stimulated the demand for chemical cotton, while this was more recently supplemented by an increase in demand for paper making chemicals, explosives and nitrocellulose. The latter, in addition to forming the principal constituent of most smokeless powders, is employed as a base in the manufacture of lacquers, the demand for which closely follows automobile production schedules. Explosives, being widely employed by the extractive and construction industries, should continue in good demand, if we are to judge by reports of constantly improving conditions in these fields. An excellent financial condition, coupled with a conservative capitalization, permitted the company to maintain an active research department, many developments of which will undoubtedly come to light in the form of increased earnings over the longer term. While admittedly, Hercules Powder common does not appear undervalued in relation to present earnings, its long-term potentialities are believed sufficient to justify continued retention of your holdings.

BARNSDALL CORP.

What are your views on the present situation in the oil industry, and for Barnsdall in particular? Would you buy 100 shares at current prices to average down on 100 shares bought at 18? An early reply will be appreciated.—S. U., Philadelphia, Pa.

The problems of the oil industry are among the most important confronting those seeking to bring about sustained economic recovery and they, therefore, are receiving serious consideration by both the managements and Government authorities. There is good basis for belief that current difficulties will be straightened out in a reasonably satisfactory manner before long. While earnings of Barnsdall have not been impressive during the depression, many internal changes to the ultimate advantage of the stockholders have been made, such as the purchase of a 21% interest in the Great Lakes Pipe Line Co., thus expanding marketing outlets and the writing down of oil and gas leaseholds to $1, thereby doing away with depletion charges. Considering the huge loss incurred in the first half of last year due to demoralized conditions in the industry as a whole during those months, too much emphasis should not be placed on the deficit of $1,942,635 reported for the full year, which compares with loss of $847,072 in 1932. Current assets at the year-end were $7,079,153, including $1,179,805 cash, and current liabilities were $3,318,793. More recently it was reported that all bank loans have been paid off, leaving the common stock with sole claim on assets and earnings. The excellent progress made by Barnsdall in putting its house in order has cleared the way for substantial participation in the revitalized oil industry. The averaging down of original costs at current prices is therefore warranted.

ZONITE PRODUCTS CORP.

I am holding 100 shares of Zonite Products which I purchased at slightly above prevailing quotations. Do you think that the long term outlook justifies retention of my holdings?—H. C. W., Akron, Ohio.

Zonite Products Corp. reported for the year ended December 31, 1933, net income of $371,552, equivalent to 45 cents a share on the capital stock, compared with $563,400, or 69 cents a share, in the previous year. Contrary to the experience of most industrial organizations, earnings declined steadily throughout last year, net income for the final quarter having been substantially below that for either the preceding quarter or the corresponding period of the previous year. Extreme competitive conditions, coupled with a low sales volume, account for the downward earnings trend, which has been in evidence for some time past. In an effort to offset decreased profit on its regular lines the company has organized a subsidiary to distribute wines and liquors. The new wholly-owned subsidiary, Tower Wines & Spirits Corp., is understood to have entered into an agreement with some 22 British and European wine and liquor companies for the distribution of their products. Moreover, arrangements have been made with the Amtorg Trading Corp. for the exclusive distribution in the United States of Russian liquors. While this new venture may prove profitable over the medium term, as competitive conditions in the liquor industry become increasingly keen, as is indicated, profits in this division are likely to be correspondingly narrow. With only a fair financial condition and with extreme competitive conditions necessitating extensive advertising expenditures to maintain sales volume, we do not feel that the company's earnings prospects are particularly bright. Thus, we are inclined to suggest that you liquidate your holdings, and transfer your funds to other situations, the outlook for which is more favorable.

WESTERN MARYLAND RAILWAY

What are the prospects for Western Maryland Railway? Would you consider it one of the better opportunities among the lower-priced rails? Would you consider buying this stock at today's prices?—T. M., Philadelphia, Pa.

Preliminary report of Western Maryland Railway for 1933 showed net income of $936,051 after taxes and charges, equivalent to $5.27 a share on 177,420 share of $7 first preferred stock. This compares with $612,893, or $3.45 a share on this issue in 1932. For the first two months of this year net income was $226,757, in contrast with only $22,021 in the same period a year ago. This improvement in operating results reflects the strategic position of the road to benefit from the greater industrial activity already witnessed or anticipated. The transportation of soft coal, which is a vital necessity in providing fuel and power for manufacturing purposes, provides about two-thirds of the company's freight traffic. The balance is derived largely from iron and steel products, gasoline and building materials. The Connellsville Extension to Baltimore put into operation a couple of years ago, attracts much "Great Lakes to Tidewater" traffic. As of January 31, last, current assets amounted to $3,896,021, against $3,130,107 current liabilities. There are no important near-term maturities and no loans have been required from the Government. Since the Baltimore & Ohio owns practically all of the first preferred stock on which dividends have never been paid but have accumulated to about $110 a share, and also owns sizable blocks of the 4% non-cumulative second preferred and common stocks, it is self-evident that considerable traffic will be directed via Western Maryland because

of this community of interest. Prior to the depression earnings were shown on the common shares and this condition should again prevail when business makes further gains. While common dividends are not in near-term prospect, in view of the large accumulations on the first preferred, the junior issue has interesting long-pull speculative possibilities at current quotations.

AMERICAN SNUFF CO.

Has American Snuff seen its best days, or do you believe there are further opportunities for growth in the years ahead? Your views on this company, and on its stock, will be appreciated, as will your opinion of its income possibilities.—G. J. C., Los Angeles, Calif.

That American Snuff Co. showed a modest increase in both gross and net income last year, in contrast with the rather sharp declines reported by the major tobacco companies specializing in cigarettes and cigars, is visible proof that snuff continues in large demand. Net income for 1933 amounted to $2,002,092, equivalent after preferred dividends, to $4.12 a common share. This compares with $1,818,025, or $3.59 a share in 1932. The continuously strong financial position was further improved last year, current assets as of the year-end totalling $13,707,451, of which cash and securities at market value were $3,202,625, while current liabilities were only $949,018. American Snuff is understood to sell about 25% of the snuff used in this country and its brands "Garret," "Honest," and "Dental" are especially popular in the Southern states in which section the company does the greater part of its business. Consumer buying power in the South has been considerably expanded as a result of the Federal Government's agricultural relief measures, as well as by the upturn in industrial activity. Because of smoking restrictions in force in most factories and other occupations, snuff is utilized more generally than one might think, as a substitute for other forms of tobacco, where it is not actually preferred. Considering American Snuff's past earnings record and its indicated ability to benefit from increased consumer purchasing power, the common stock would appear to offer attraction to one interested primarily in income.

AMERICAN CAN CO.

Please favor me with your views on American Can. Do you think its present market price now discounts much future improvement? Do you foresee any dividend increase? Would you advise me to take my profit on 100 shares bought at 76, or, continue to hold?—A. C., Oak Park, Ill.

Several factors combine to indicate that prevailing quotations for American Can Co. have by no means exhausted appreciation possibilities despite the sharp advance that has occurred in recent markets. It should be noted that the stocks of canned goods on hand are the lowest in several years, a representative group on January 1, last, being about 20% below supplies as of January 1, 1933, according to Government statistics. Not only must stocks be replenished, but provision must be made for the anticipated increased demand resulting from expanding public purchasing power. Recognizing the improved outlook, the management added substantially to inventories last year at prices materially below those now prevailing. The rapidly spreading market for metal containers in fields other than foodstuffs, should not be overlooked. These include chemicals, paints, drugs, motor oil, tobacco, etc., advertised and sold under trade names. American Can's 1933 net income was $15,357,048, equal to $5.04 a common share, as compared with $10,957,295 or $3.26 a share in 1932. Current assets as of December 31, last, totalled $57,880,663, including cash of $8,592,553, and current liabilities were $16,087,524. Since profits last year slightly exceeded those for 1931, it does not seem unreasonable to visualize 1934 earnings approaching those of 1930, when business was contracting, which equalled $8.08 a share. Should this estimate be anywhere near realized an extra dividend would seem quite in order. It should be noted, however, that heretofore American Can has not made dividend increases or declared extras except at the end of the year. While you may be tempted to take your profit, retention of your holdings is the better course to follow at this time.

Where Does Income Go?

(*Continued from page 20*)

depression, while the share of all other producers of income has declined. The figures for 1933 are estimates by the National Industrial Conference Board. They place last year's national income produced at 39.8 billion dollars, of which 30.9 billion, or 77.8 per cent was distributed in wages and salaries, leaving only 8.9 billion dollars for bondholders, stockholders, proprietors of business enterprises, owners of farms, recipients of rents and royalties and all independent professional persons, such as doctors, dentists, lawyers, etc.

Of total national income paid out, the latter classes got 34.8 per cent in 1929 and 35.5 per cent in 1932. But of total income produced these classes had title to 36.4 per cent in 1929 and to only 17.5 per cent in 1932.

We have heard much of "exhorbitant" executive salaries. The table accompanying this article, giving figures for 1931 collected by the United States Bureau of Internal Revenue, is illuminating. For that year the compensation of all corporate officers was 0.9 per cent of corporate assets and 2.4 per cent of corporate sales or gross income. For companies with assets over 1 million dollars, however, the per centages were, respectively, 0.3 and 1.1, while for smaller companies they were, respectively, 4.2 and 5.1. This relative economy in the cost of management in Big Business is one of the good reasons *for* Big Business.

The record shows that all classes of our people suffered severely in depression. It does *not* support the contention of radical elements that capital's share of income has been disproportionately large nor that labor has been unduly victimized.

Prospects Favor Continued Strength in Bonds

(*Continued from page 25*)

two—a reversal of Federal Reserve policy that would deliberately harden money, and that there should be such phenomenal improvement in business activity as would severely cut into the existing supply of credit—can be dismissed for their extreme improbability. The second two—that there might be more drastic inflation than has occurred to date, or that a tremendous volume of new financing would follow amendment of the Securities Act—need a little more discussion.

Whether the country is to be put through a ruinous inflation in the near future is a matter that depends upon whether the President and the sane element in Congress can succeed in curbing the wild-eyed demands of those who wish to set the printing presses going, or those who dream of silver at a fixed ratio to gold and at three or four times its current market price. Moreover, it must be remembered that inflation, at least in the first stages, is largely psychological and no one can forecast the point at which the country would become frightened of bonds in the event that we should embark upon this road. It is, however, difficult to believe that sane councils will not prevail. The bond holder may face—and probably does—a loss of purchasing power, but the reasonable attitude at

the moment seems to be that this loss, caused by inflation or otherwise, will not come sufficiently *fast* actually to affect the *price* of his holdings.

On the other hand, chances favor modification of the Securities Act to the point where individuals will feel reasonably safe in bringing out new issues, and there undoubtedly would be a good quantity floated. But before any wild "promoters" market could develop, business will have to be a great deal more lively than it is at the moment. As for Federal, state and municipal bonds these are being sold now free of security-act restrictions, so that the expected changes in the hampering legislation will not be a factor in their future sale. All in all, it seems that however handsomely past legislation should be amended, near-term prospects hardly favor a volume of financing that would compete with existing issues to the point where the latter would be depressed. Similar conclusions have been made in regard to other possibilities adverse to the bond market and the general prospect, therefore, is one of continuing strength.

The Boomerang of Rapidly Rising Prices

(*Continued from page* 15)

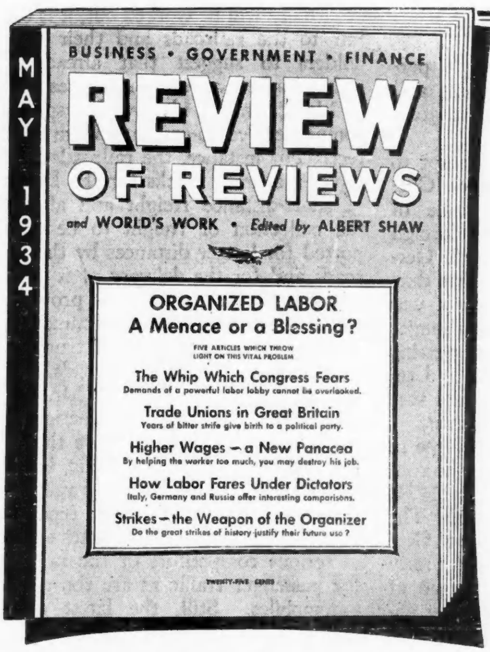
price or decides to turn to fuel oil or natural gas, the mines and miners will be worse off than before.

The motor industry was built on volume production and low unit cost. It has at all times paid better-than-average wages and passed along ever-increased product values to its public. Now, under the N R A program, its costs have been suddenly and artificially increased. With one exception, the major companies are passing this cost along to the public in the form of substantially higher prices.

The exception is Henry Ford. Mr. Ford states that he will not raise prices, despite higher wage and material costs. He threatens, if necessary, to make his own materials. "When prices go up," he holds, "business goes down."

The Ford motive, of course, is competitive. The point is that its philosophy is sound and its pronouncement of much more than passing significance. The motor industry has fought like an aroused tiger against the threat of domination by the American Federation of Labor. But what of the much greater menace—to it and to the public—of the hothouse program of price-jumping? Only Ford, among the giants of industry, appears ready to fight it at the moment.

There will be others, however, and



they will be actuated by practical necessity, rather than by abstract philosophies. Perhaps Mr. Ford is also. The individualistic, highly competitive struggle for business will go on. When it can't be had at the prices asked, prices will be cut. Thus N R A, at least in so far as price-fixing it concerned, can only tend to defeat itself in the long run.

Meanwhile, the consumer's cry for Federal control of code prices will become louder and there will be much talk of enforcement. There was talk of enforcement of Prohibition. Enforcement of the codes in hundreds of thousands of plants and stores, each striving for business, would quite obviously require the world's greatest standing army of Federal policemen, possibly enough to absorb all of the unemployment.

It seems likely that under the force of events and the warning squawk of the consumer, Washington planners will take second thought in coming months on regimented economy and a fast recovery of prices to the 1926 level. Far pastures look greenest. We want vaulting prices when we sell—but not when we buy; and it is buyers who make business. John D. Public may have craved a price rise in the abstract a year ago, but he didn't quite realize how the thing would bite.

Germany On the Spot

(*Continued from page* 19)

prices, we find that Germany's percentage loss of trade both export and import, was about three times as great as France's.

It is a thankless task to attempt to calculate the effects the menace Germany has become to the peace of Europe has had on German foreign trade, as well as domestic revival. Germany has had the advantage that during 1933 French foreign policy was weak and vacillating. But if Premier Doumergue should succeed in putting France in a firm fiscal position and restore her European leadership the war clouds may lower and trade retreat.

Even a complete financial collapse in Germany would not now have the consequences of the crisis of June, 1931, but they would be serious enough. The monetary and credit web tying Germany to other countries has been pretty well broken down, but a collapse of Germany's trade with neighboring nations would be a serious blow to world recovery progress. The United States stands first among the nations exporting to Germany, and only the United Kingdom, Canada and Japan exceed her as a buyer of American products. That trade amounts now to only 132 million dollars a year but in 1929 it was 410 millions. However, the unified German trade policy, or state monopoly method, makes it certain that American trade with Germany will never again reach the proportions of 1929.

Loss of its entire trade with Germany would not seriously affect the United States, but German economy is closely related to that of France, Scandinavia, Holland, Belgium, England, the Baltic and Danubian countries. An economic breakdown in Germany would spread depression throughout the Continent—and Europe buys over half of our exports.

Co-ordination of Transportation Opens Way for Rail Comeback

(*Continued from page* 23)

In considering what may be done in due time with respect to co-ordination, as broadly suggested by Mr. Eastman, it should be kept prominently in mind that the steam railroads of the United States will constitute, as they have all along, and do now, the backbone of the grand transportation system. The facilities of the principal competitors of the railroads will be co-ordinated with those of the latter and not vice versa.

While it is impossible to tell at this early date just how this gigantic plan eventually will be worked out, it is only fair to the railroads and their stockholders to suggest that already, in rather limited ways in most cases, some of Mr. Eastman's ideas with respect to comprehensive co-ordination are in effect. For instance, the railroads themselves are using trucks for the hauling of short-distance freight and also for the collection of freight to be transported for longer distances by the railroads and for the delivery of it to the consignees. This is likely to prove one of the most important and remunerative features of co-ordination of truck service with that of the railroads. According to figures given by Mr. Eastman in his report on co-ordination, the trucks are not handling more than 20 per cent of total freight traffic, leaving the other 80 per cent for the railroads.

He points out in the same report, as is well known, that motor buses are not as serious competitors of the railroads for passenger traffic as are the private automobiles. Still, the latest official figures given by Mr. Eastman indicate that bus traffic is already in the neighborhood of 37 per cent of railroad traffic. This is a big proportion and the railroads are aggressively endeavoring to cut it down by offering attractive passenger rates both on short haul and long haul business.

Obviously the trucks should be used on various kinds of short haul business that they can handle more expeditiously and economically than the railroads, but otherwise should be made contributors to railroad service and traffic. The same should be true of the buses. They can carry certain kinds of passenger traffic in certain localities and under certain conditions much better than the railroads. The latter should do their utmost to hold and get back traffic for the longer distances which can be handled with far greater safety and comfort to the passengers than by the buses.

There are numerous other ways that these two mediums of transportation can be made to supplement the service of the railroads. The same is true of the water lines and the airplanes. The latter can carry mail and passengers in far shorter time than the railroads and consequently its service should be limited, as far as possible, to the rush business in each instance. The water lines can carry slow-moving freight more cheaply than the railroads and their activities should be confined largely to that class of business.

This is all in line with the plan of the Co-ordinator as summarized in the following four points: (1) A minimum of outright duplication of facilities or services; (2) a transportation system which is well organized and functions in an orderly, dependable way, rather than one that is unstable, uncertain and a breeder of discriminations; (3) responsibility in both a narrow and broad sense; and (4) financial stability and good credit.

Referring to an outstanding shortcoming of railway executives since competition from other mediums became most active and acute, and suggesting the remedy, Mr. Eastman said: "The railroads have spent too much time and attention on plans for the restriction of their competitors and too little on the development and improvement of their own service and the readjustment of their own rates. It is from self help that they have most to gain. Included in railroad self-help is the proper utilization as an adjunct of rail service of all other means of transportation. These other agencies cannot be legislated out of existence; they perform useful public functions, and they are here to stay."

Mr. Eastman has set forth so clearly and forcibly, and in such a comprehensive way the benefits that would accrue to the railroads from general co-ordination, that, until his plans are taken up actively by the Government and by those who direct these various transportation mediums, it will not be practical or necessary to attempt further comment on his plans and the benefits. In

the meantime, however, owners, actual and potential, should never lose sight of this general idea, but should follow the developments closely. General co-ordination of transportation facilities is bound to come. It will mean much to holders of railroad securities.

Is Washington Ready to Give Industry a Break?

(*Continued from page* 12)

than too little capitalization of the heavy industries. A great building revival will give them all the recovery they need or at least should have. And as for desperately required refinancing, that can be attended to by the R F C or by compliance with the Securities Act.

But in the back of the minds of the ardent New Dealers lurks the idea that the panacea of government insurance can yet be applied to all necessary capitalization, and that the investment banker's function can be largely dispensed with. Of course, any bonds that the Government may issue will be free from the coils of that Act. Socialization of credit is the distant objective—and just as important as the socialization of money. Nobody knows what's behind these proposed mortgage loan companies under Federal charters—5 million dollars capital each—75 million dollars debenture capacity—all loans U. S. insured. Maybe the end of private control of massed savings.

But whether we like it or not, in this as in other phases of emergency legislation and administration, recovery and reformation are being so inextricably mixed that the nation has to take one with the other—and like it. Few there are who would postpone a dynamic revitalization of the building industries and the industries that depend on them merely for the sake of being left alone to worry through in their own way.

It is predicted in Washington, even by men of the great lending institutions which are inherently opposed to the nationalization of credit, that the new plan will work, and swiftly, and even they, shutting their eyes to future implications, will back it enthusiastically. A bird in the hand in the shape of a dramatic revival of the lagging industries is worth two in the uncertain bushes.

The President is expected soon to make an inspiring appeal to Congress which will sweep aside the numerous other home-building bills and throw all the reserves into the last smash for victory over the depression. Then will come a great publicity campaign under the auspices of the Home Loan Bank Board.

Some of the wisest New Deal executives warn, however, that not much should be expected of a new-construction drive for a year or two. They assert that interest in home ownership will take time to recover, no matter how easy financing may be made.

The investing public can count on this: The Government is now going to get its colossal body under the burden of the lagging industries, and when it does it will probably lift them as quickly as it has raised price levels, rescued the banks, stimulated trade, kicked the wolf out of the door, saved the farmer, etc. And once the Washington Atlas begins to knot its huge muscles it may lift more and further than it originally intended. Looking at the forming rainbow, the enthusiasts predict that it will not be more than a year before the 5,000,000 unemployed of the durable goods industries, primary and secondary, will be back on the job. And then? Farewell to the last traces of the depression in 1935. As for the gloomy ones who talk about the rise of new debt burdens, to them goes the answer that a legitimate debt is always a salutary credit and that this nation is never prosperous except when part of it is swiftly getting into debt

to the rest—and out. And the Government is seeing to the "swiftly" now—but also with a safety for the lender and an assurance for the debtor not known since mankind moved out of caves and trees.

Public Utilities Under Fire

(Continued from page 24)

than in 1913 and, despite economies, is now nearly three times greater than in 1913 on a per family basis. New York City's profligate spending reached its peak in 1932, year of deflation, at $342 per family or more than double the 1913 per family cost and in 1933 it was only reduced to $269 per family.

The utility investor may well be puzzled as he contemplates the wide variations of "fair" rates set in the different states. While the State of New York, ignoring the rising cost of labor and materials, now holds that "temporarily" a return of 5 per cent on utility valuations, less depreciation, is fair, the Pennsylvania Commission—also ignoring rising costs, now holds that a 6 per cent return is fair, although in 1932, when costs were lower, it ruled that 7 per cent was fair!

The one bright spot in the current utility news is Massachusetts. There the commission has ruled in a rate case involving a specific company that its 1932 return of 8.04 per cent on its investment, less depreciation, was reasonable and fair. These earnings enabled the company to pay dividends of 24 per cent on its capital stock or 7.19 per cent on the money actually paid in as capital, plus accumulated surplus. In denying a rate reduction, the commission took into account the present trend of rising utility costs. It stated that "the notion that prices of services furnished by a public utility should rise and fall with the prices of other commodities is unsound."

Still more enlightening, this commission pointed out that even if this property had been purchasable in 1932 for the amount of its cash investment in plant and operated in "public ownership," it would have cost the "public" annually $606,722 in interest charges at 4 per cent on purchase money bonds, plus $679,629 for loss of taxes paid by the company. This would have made, in all, $1,286,395, against the company's actual net earnings of $991,417—so that private operation in 1932 saved the "public" some $295,000 as against "public operation."

Apparently what is logic in Massachusetts is not logic in New York, in Pennsylvania or at Washington. At Washington, incidentally, another utility investigation is in the making. The Rankin-Norris resolution, now signed by President Roosevelt, directs the Federal Trade Commission to make an exhaustive study of all classifications of electric rates throughout the country.

"I predict," says Representative Rankin, that this will result in saving the consumer "not less than $50,000,000 a year to begin with, and it may reach many times that amount." The utility investor by now should be used to such political hokum. He has heard plenty of it in the past and will hear more in the future.

Unfortunately, there is no indication that the political unpopularity of the utilities will soon abate. Their final "crime" is that most of them were able to make a little money even in depression. On the other hand, however, it would be easy for the uninformed investor to exaggerate the danger of this political factor.

It is the domestic consumer that the politicians are interested in. They shed no tears for the commercial and industrial users. In New York State domestic electric revenues are only one-third of total electric revenues. Moreover, everywhere the tendency is for domestic electricity rate cuts to be at the expense of commercial consumers.

This, in fact, is the very interesting joker—or one of the jokers—in the Tennessee Valley-Muscle Shoals power venture. In Tupelo, Miss., first city to sign a T V A contract, it works out like this: For 250 kwh. the domestic consumer will pay $5 a month and the commercial customer $7.50; for 400 kwh. per month the residence pays $6.50 and the commercial establishment $10.50; and for 1,000 kwh. per month the residence pays $8.90 and the commercial user $22.50. Obviously, no private utility could force its commercial customers to subsidize the domestic consumer to this extent. But that is not all. The contract permits Tupelo to impose surcharges on commercial and industrial users to meet any deficiency in the city's total electric revenues!

So works the much-heralded T V A "yardstick" which is to set the example for the private utilities. The "yardstick" idea, of course, is obviously ridiculous, for utility cost factors vary widely in varying localities. While there are some notable examples of successful municipal operation at rates moderately lower than the national average rate of the private companies, there are probably ten times as many instances of municipal rates higher than the private national average, despite the great advantage of tax exemption.

On the favorable side, the trend of commercial, industrial and domestic demand is now rising. Commercial and industrial rates probably will be satisfactorily maintained. Domestic rate reductions, if not too severe, tend to be

off-set by enlarged consumption in time, especially in the increased use of appliances, notably, for example, in the present large sales of electric refrigerators. From another direction, one must bear in mind that dividend yields on many utility stocks are high, while yields are low and getting lower on investment bonds and preferred shares. The result can only be a widening search of investment funds for more adequate yield. This should be a supporting factor insofar as equities of the strong operating utilities are concerned. One may or may not care to risk new commitments in such issues, but, weighing all factors for and against, the wisdom of disposing of present holding at the prevailing depressed prices is certainly to be strongly doubted.

General Mills, Inc.

(*Continued from page* 36)

mand, which in turn is pretty well assured by the fundamental nature of the company's products.

Ranking prior to the common stock are 222,664 shares of 6% preferred stock, but no funded debt, and the common is outstanding in the amount of 662,454 shares. The company's fiscal year will end on May 31, next, and it is not the policy of the management to issue interim reports. In the 1933 fiscal period, the common stock earned $4.12 a share, after preferred dividends, comparing favorably with $3.93 and $3.71 in 1932 and 1931 respectively. The ability of General Mills to turn in a highly favorable report in the face of the adverse conditions which prevailed in 1932-1933 would seem to augur favorably for its current showing, with the added advantage of the improvement experienced during the past twelve months. Incidentally, it is significant that the company started the current fiscal year with an inventory of about $7,500,000 greater than at the end of the 1932 period, which in all probability has been profitably converted. Although not a dynamic issue, the shares combine investment qualities with an assured income.

Great Northern Railway

THE depression record of the Great Northern Railway has been a creditable one. Despite the failure of the road to cover fully fixed charges in 1932 and 1933, there has never been any serious doubt concerning its ability to avoid embarrassing financial difficulties and, if the showing of Great Northern last year proves to be a reliable criterion, the return to normal earning power will be a rapid one. Carloadings last year increased nearly 19% over 1932—a much better gain than the average of 2.5% shown by 70 Class I carriers. Gross revenues were up $6,400,000, operating expenses were less by $4,100,000, and with non-operating income enlarged by the payment of a $3 dividend by Chicago, Burlington & Quincy, the road was able to

Recent Price	Dividend	Yield
30	None	....

show a coverage of 84% for fixed charges as compared with only 32% coverage in 1932. At the end of last year, current assets of slightly more than $24,000,000, compared with current liabilities of $13,078,957. Cash and the equivalent amounted to $11,321,000.

The road is now entering the season of the year when traffic normally records progressive gains, reaching a peak in October or November. Normally the low point is experienced in January and February, with March and April registering only comparatively modest gains. In each of the first two months of this year, however, gross revenues were moderately larger than for the same months of last year and the aggregate for January and February totalled $7,976,821, compared with $6,709,791 in 1933. Moreover, and despite some increase in operating costs and larger outlays for maintenance, the operating deficit in the opening months was substantially less than last year.

With the increased activity which the steel industry has experienced this spring, it may be assumed that this has been reflected in a considerable increase in the movement of iron ore from the Mesabi range over the lines of the Great Northern. This class of traffic will soon be augmented by the movement of spring wheat, and the promise of a larger crop this year should be of direct benefit to the road, as well as indirectly through its large investment in the Burlington. The general outlook, therefore, would seem to presage a further marked improvement in the revenues and earnings of the road this year. Charges should be readily covered and, for the first time in two years, there should be something available for the preferred shares (the only class of stock). As to the possibility of dividends this year, much would seem to depend upon the nature of developments which would tend to facilitate the financing of the road's large maturities in 1936. At this time the chances seem to be in favor of a successful re-

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1934 Price Range High	Low	Recent Price
Alum. Co. of Amer.	85¾	65	77
Amer. Cyanamid B (.25)	21½	15⅛	21¼
Amer. Gas & Elec. (1)	33⅜	18⅝	27⅝
Amer. Lt. & Tr. (1.60)	19⅜	10¾	15½
Amer. Superpower	4⅞	2¼	3¼
Assoc. Gas Elec. "A"	2⅜	7/16	1
Atlas Corp	15½	10¼	13¾
Canadian Indus. Alco. "A"	20⅜	13¼	15
Cities Service	4¼	1¾	2¾
Cities Service Pfd.	26⅞	11¼	20
Cleveland Elec. Illum. (2)	30½	25	29¼
Colum. G. & E. cv. Pfd. (5)	103	68	94½
Commonwealth Edison (4)	61½	34½	57¼
Consol. Gas Balt. (3.60)	65	53	59¼
Cord Corp (25)	8⅝	5½	6⅝
Creole Petroleum	13¼	9⅝	13
Distillers Cp. Seag	26⅝	16⅞	20⅝
Elec. Bond & Share	23½	10⅞	17½
Elec. Bond & Share Pfd. (6)	60	31	54¼
Elec. Pr. Assoc. (.40)	8¼	4	6⅜
Ford Motor of Can. "A"	24⅞	15	23⅝
Ford Motor, Ltd.	8⅜	5½	8⅜
General Aviation	9½	5⅛	6

Name and Dividend	1934 Price Range High	Low	Recent Price
General Tire	99	64½	96
Glen Alden Coal	20¾	10¾	17¾
Great A. & P. Tea N.-V. (7)	150	122	141
Gulf Oil of Pa	76¾	58⅛	66⅜
Hudson Bay M. & S.	14¾	8¾	13¾
Humble Oil	46⅜	33¼	45¾
Imperial Oil (.50)	15⅛	12⅝	14⅞
Inter. Petrol. (1.12)	27⅜	19⅜	27¼
Lake Shore Mines (2)	54⅝	41½	49¼
Mead-Johnson & Co.	63½	45	62
Niagara Hudson Pwr.	9¾	4⅞	6¼
Novadel-Agene (7)	68⅜	57	68⅜
Pan-American Airways	51	35	40¾
St. Regis Paper	5⅛	2⅛	3⅞
South Penn Oil (1.20)	24¾	17½	23⅜
Standard Oil of Ind. (1)	32¾	25	27⅜
Swift & Co (50)	19	13⅞	17⅞
Swift Int'l (2)	30½	23¾	30
United Founders	1½	11/16	1
United Gas Corp	3¾	1⅞	3⅛
United Lt. & Pwr. A	5⅜	2⅜	4⅛
United Shoe Mach. (5)	68⅜	57¾	67¼
Walgreen Co	....	....	....
Walker Hiram H. W.	57½	41	42⅝

funding operation. Of longer term significance, is the possibility that the road will be an important beneficiary of legislation designed to regulate water competition, from which it suffers a considerable loss of long-haul traffic.

The shares of the road, although admittedly speculative, may be rated as worthy of attention predicated upon both current and longer term prospects.

The "Ifs" in Air Conditioning and Mechanical Refrigeration

(*Continued from page 32*)

new market and for the few large concerns that have the advantage of national distribution through established outlets, air conditioning must remain relatively insignificant for a while, at least. Every manufacturer of heating and refrigeration equipment has invested more or less capital in experimenting with and marketing either single elements or systems of air conditioning. New inventions or developments are continually making their appearance to upset the established order and over all hovers the individual preference of the home owner, who may demand one unit from one maker and one from another, all of which have to be fitted together into a balanced system that will give satisfaction, else trouble ensues for everyone.

It is clear that the investor who wishes to participate in the much-advertised future of air conditioning would do well to confine his investment to concerns which have other profitable lines of business and to whom air conditioning holds forth some prospect of additional income in the future. In the case of the largest and strongest participants in this new market, new revenue from this source would not bulk as large as it would in the case of smaller enterprises but the risks of a pioneer industry would be inversely as the strength of the enterprise. Sound investors are in the habit of measuring the element of risk rather carefully and they should not neglect to do so when considering air conditioning.

Happening in Washington

(*Continued from page 13*)

That close-up revealed a flashing, piercing glance, an unfurrowed brow, and a contented ego.

On the Money Side the silverites are pestiferous to the President. Maddening is the argentiferous persistence of low-voiced, gentle Thomas of the Cimmaron, as elegant sartorially as any goldite out of Wall-and-Broad. But the silverites may sting Roosevelt into loosening the brakes on business. The cheap money crowd, of all varieties, clings to the theory that the business engine needs more money-fuel, whereas what it really needs—in the wisdom of E. K. T.—is a chance to "combust" the fuel. The way Wall Street bobs up whenever monetary inflation threatens, warns the President that rigid regulation of speculation and monetary inflation travel in opposite directions.

To seek suppression of reckless speculation by one law and turn it loose by another is not to the President's liking, devoted as he is to economic inconsistency. Silverites fancy we need more money—but what we do need is more money-making.

A Sign of Better Times is the return to the cities reported by the Census Bureau. The defeated ones who fled to the countryside during the past three years are coming back. But the people who stayed in the cities can produce more now than they and the emigrants could four years ago. And fewer country people can produce more on the farms. It looks as if more leisure and less work are inevitable unless we can work more and consume more. All these shorter work week and more pay measures are really groping toward a new adjustment of distribution to meet new conditions.

The way to consume what can be produced is to give the producers more to consume. No longer do we produce more consumers as we produce more goods. As cradles empty pocketbooks must fill.

Balance of Trade seems about to turn against the United States. Foreign bank balances in the United States are down to 486 million dollars; they can't be drawn much lower. You always have to leave something in a checking account, you know There is no likelihood that American balances abroad will be increased, and not a chance of increased capital investment there. It is not likely that much more gold will be permitted to come here. A creditor nation can not forever postpone an adverse trade balance. To try to do so is like trying to be paid without being paid. Looks as if we would have to take in more of our own washing.

Reciprocal tariff concessions scheme is foundering on House prohibition of dickers on debts and the rule of no loans to debt-welching governments. Maybe the President will be given full authority to take a trade liberalization swim, along with a positive injunction to keep out of the water.

Over-the-Counter

ACTIVE ISSUES

Quotations as of Recent Date

INDUSTRIAL	Bid	Asked
American Book Co. (4)	52	56
Amer. Manufacturing	12½	16
Amer. Meter Co.	10¾	12¼
Babcock & Wilcox (2)	44¼	46½
Bon Ami, B (3)	40	43
Canadian Celanese	19½	21½
Colt Fire Arms (1¼)	25⅞	26⅞
Crowell Publishing Co. (.25)	24¼	27
Dixon (Jos.) Crucible	58	62½
Dictaphone Corp. (.25)	21	24
Fajardo Sugar	71	81
National Casket (2)	25	....
Singer Mfg. Co. (7)	170½	174½
Wilcox & Gibbs	20	....

PUBLIC UTILITIES	Bid	Asked
Alabama Power Pfd. (7)	55	57
Carolina Pwr. & Light Pfd. (3.50)	38¼	40
Central Maine Power Pfd. (7)	72	75
Columbus Rwy. Pwr. & Lt. Pfd (6)	78	81
Consumers Power Pfd. (6)	82¼	84
Dayton Power & Light Pfd. (6)	94	96
Jersey Central Pwr. & Lt. Pfd. (7)	67	70
Kansas Gas & Electric Pfd. (7)	73	76
Metropolitan Edison Pfd. (6)	69½	71
Nebraska Power Pfd. (7)	98	....
New Jersey Pwr. & Lt., Pfd. (6)	65	69½
Northwestern Bell Pfd. (6½)	109	110½
Pacific Gas & Elec. Pfd. (150)	22	23
Pacific Power & Light Pfd.	16½	18
Puget Sound Pwr. & Lt. Pfd.	13	15
Tennessee Elec. Power Pfd. (6)	45	48
Texas Power & Light Pfd. (7)	84	....
Utilities Pwr. & Lgt. Pfd.	10½	12

TELEPHONE & TELEGRAPH	Bid	Asked
American Dist. Tel., N. J.	73	78
Mountain States Tel. & Tel. (8)	109½	112
Peninsular Telephone	5	7¾
Southern New England Tel. (6)	108¼	110¼

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225)

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely counsels subscribers what securities to buy or sell short and when to close out or cover. (783)

"TRADING METHODS"
This handbook, issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785)

INVESTMENT PROFIT INSURANCE
The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861)

ELECTRIC BOND & SHARE CO.
Full information or reports on companies identified with Electric Bond & Share Co., furnished upon request. (898)

MARGIN REQUIREMENTS, COMMISSION CHARGES
Springs & Co., have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent investors and traders. (939)

MARGIN REQUIREMENTS
Leaflet explaining margin requirements prepared by McClave & Co., members New York Stock Exchange. Copy upon request. (955)

INVESTMENT INFORMATION
A well known Stock Exchange firm will be glad to receive inquiries pertaining to investment matters. (959)

STOCK QUOTATION RECORD
Statistical data on all stocks dealt in on New York Stock Exchange. Write for copy on business letterhead. (975)

5346-WORD INVESTING AND TRADING PAMPHLET
Tells how to protect your capital and accelerate its growth. Covers, from the technical viewpoint, the important questions when to buy and when to sell. Free on request. (977)

Cotton Comes Under Enforced Control

(*Continued from page* 17)

straightened out. We may rest assured that every cotton growing country is watching for every possible encouragement for its growers in the thought that any market they can wedge into they will hold at any cost.

Counting the Cost

If we begin to tot up the bill the Administration is undertaking to pay we run into some startling figures.

The first rental payments under the 1934-35 acreage reduction agreements are just being mailed. The producer who agrees to reduce his planting receives 3½ cents a pound on the average production of his farm, as estimated, multiplied by the number of acres he rents to the Secretary of Agriculture. The second installment of the rental will be sent out between August 1 and September 30. The rentals are expected to run to $100,000,000. In addition there will be a parity payment made some time in December, estimated to cover the difference in prices between farm production and the things the farmer must buy. This so-called "parity" payment actually to make up a "disparity" will mean a further distribution to planters of twenty-five to thirty millions of dollars.

As a last word the writer might add that private reports are to the effect that the distributions which government agencies have made in parts of the South have brought about the aspects of almost a boom. Merchants are reporting a record volume of business. Naturally in these vicinages everybody is strong for the New Deal and "Gimme Mine"!!

"What do *you* say to cotton?" It is probably going higher, the forces we have tried to outline as working to clear the situation have it well in hand and the most surprising feature is the co-operation on the part of the farmer. Amazing to any one familiar with the tradition of independence held to be a very essential part of American rural life, but amazing or not these forces working together can and will put cotton up.

Later on it will be time to think of the experiences had in times past, the Federal Farm Board in wheat and cotton, Great Britain in rubber, Brazil in coffee. The present plans must succeed quickly or not at all.

Kroger Grocery & Baking Company

(*Continued from page* 30)

For the twelve weeks to March 24 of this year sales totalled $49,500,000, compared with $44,700,000 in the corresponding period of 1933. The gain of 11% in sales over last year just about corresponds with the rise in retail prices—slightly less if anything. At the same time, it must be remembered again that the average number of stores in operation this year was 329 less than in 1933. Because of this it would be unfair to say that Kroger was merely selling the same volume of goods as it was selling last year, but was getting more for them. Hazarding as guess—complicated by increase in store size—it would seem that there had been an actual increase in the volume of goods moved, small though it may be. Believing, as is pointed out elsewhere in this issue, that large volume at low price is a sign of much sounder prosperity than low volume at high prices, the conclusion in respect to Kroger is not to be regretted.

Of earning power so far this year, nothing definite is known. One strongly suspects, however, that it is running quite a little ahead of the rate

established by last year's showing of $2.51 a common share. If this is so, a company well-equipped financially and physically should be well able to afford a higher regular dividend than $1 annually. Perhaps the fifty cents distributed as an extra early this year will become part of a regular feature. In any event, keeping a close watch on the trend in taxation and regulation which claimed so much space earlier in this discussion, the owners of Kroger should do well for a time at least.

As I See It

(*Continued from page 7*)

to call a halt on the mounting debts which will press upon us for the rest of our lives if they do not oppress succeeding generations.

Adversity has demonstrated that unheard of economies are possible in industry and in private life. It is time that similar drastic economies found more favor in all divisions of government, local as well as Federal.

Governmental economy and a cessation of the more extravagant measures designed to speed recovery need not be deflationary in their effects. Business is showing an increasing ability to progress unaided. The gradual restoration of normal activity will slowly correct most of the currently existing ills which are drawing so heavily on public resources.

The time has come to try the Lord Chancellor's theory and see whether a lessened tax burden will not of itself prove the most active spur to recovery.

Higher Prices Ahead?

(*Continued from page 9*)

take foreign products in exchange.

The immediate business records are not as uniformly favorable as they were a fortnight ago, but on balance the trend appears to be still upward. There has been a moderate recession in retail trade. The output of electric power holds approximately unchanged. Car loadings for the latest week, however, show a considerably greater than seasonal improvement. The index of automobile production has reached a new high which, with the exception of the temporary spurt of last July, is the best level of activity since 1930. In the barometric steel industry, operations are at 52 per cent of capacity, the highest since last August.

What's New . . . In the World of Books?

The "New Dealers" Corner the Book Market

THE gentleman from Indiana, Dr. Wirt, may have been woolgathering on his charges of a New Deal plot to sell out the Government to the Reds lock, stock, and rain barrel But, for all that, a plot there is among these New Dealers . . . a plot with the publishers to corner the book market.

Whether you are in sympathy with this wholesale commandeering of the book market or not—at least it's a good show. These New Dealers certainly know how to keep their readers wide awake. Moreover, in the vast network of the New Deal program there is so much more than one can readily keep track of, we need all the information they are willing to pass out to us. . . . Remember that for at least two years more the Roosevelt regime will presumably be driving ahead with its many-sided campaign. Already there is hardly a business firm, a security issue, a private individual who has not been affected, directly and vitally. It is surely the better part of judgment to study the New Deal with all the care and thoroughness possible.

* * *

The President Renders an Account

"On Our Way" is first of all a collection of the President's brief, pungent messages of the past year. They make a running story of surprising interest—a story even more impressive as one reads them in sequence now than when they appeared one by one in newsprint. Franklin Roosevelt has the rare gift of getting his personal tone of voice into cold ink and paper. We listen rather than read. And he has so blended his comments and informal narrative of events with his public utterances as to hold our unbroken interest from cover to cover.

Much light is shed on the New Deal program by "On Our Way." Mr. Roosevelt makes a convincing case that, at least according to his understanding, he has been striving not to destroy the traditions of American individualism, but to defend them against depression conditions and what he believes to be inherent dangers in modern industry, trade, and finance. Whether or not one agrees on his diagnosis, the President emerges from the pages of his book with fresh prestige as a man, an executive, and a political philosopher. We may feel he is not so frank as he might be about his plans for the future. However, this is consistent with the strategy he has followed and openly avowed—that of avoiding advance commitments and devising measures to meet each "break in the game" as it occurs. . . If "On Our Way" does not tell us where we are headed for, it does give a convincing illusion that we are accumulating mileage with a man at the wheel who can take the curves with a steady hand.

"On Our Way" by Franklin Delano Roosevelt (300 pages, April, 1934), is published by The John Day Co., at $2.50.

* * *

Stuart Chase Proposes His Version of Utopia

Stuart Chase, like the anonymous author of "The New Dealers," is not an official member of the Roosevelt staff. He is, however, a genuine New Dealer of many years' standing. "The Economy of Abundance" is his 1934 volume in a series which began to stir public comment long before the Brain Trust, or even the Technocracy Band appeared in the spotlight. His ideas are essentially those of Rex Tugwell and others of the Roosevelt left wing. A writer with a flair for the dramatic, he marshals words and evidence with the gusto of Upton Sinclair in his swashbuckling prime. He is too extreme, too violent, to be entirely believable. But he is well worth reading, if for no other reason, to discover the source of some of the New Deal ideas and journalistic methods. For instance, he says on his opening page, that on the morning of January 1, 1831, the 13,000,000 people in the United States awakened with forty times the physical energy they had gone to bed with the night before. Then he points out that we have had a forty-fold increase in wealth and resources corresponding to this per capita increase in energy. And he advocates a redesigning of our economic system to capitalize all this for what he conceives to be the general well-being . . . a stimulating book that if well-sprinkled with salt should bring a clearer, broader understanding of the problems of today and tomorrow.

"The Economy of Abundance" by Stuart Chase (327 pages, March, 1934), is published by the Macmillan Co., at $2.50.

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